

WEEK IN REVIEW

September 13, 2024

In focus

Most global equity markets advanced for the week, while Chinese and Hong Kong markets declined overall. The information technology and consumer discretionary sectors surged to deliver strong gains in the U.S. European equities also closed higher, supported by optimism regarding monetary policy. Asian markets saw a divergence: while Japanese stocks saw some gains, Chinese stocks declined over the week.

In key economic developments, the European Central Bank (ECB) cut its deposit rate by 25 basis points, to 3.5%, as inflation slowed and growth faltered across the eurozone. In the U.S., markets are anticipating the first rate cut from the U.S. Federal Reserve (the Fed) since 2020, on weaker employment data and declining inflation. Consumer confidence in the U.S. improved slightly in early September, with the University of Michigan's Consumer Sentiment Index rising to 69, up from August and higher than the market expectation. Meanwhile, hawkish comments from members of the Bank of Japan's board have raised expectations that it will make another rate hike this year.

In fixed income, U.S. Treasury yields continued their downward trend, with the ten-year yield hitting its lowest point since June 2023, amid growing expectations of a rate cut. In commodities, gold and silver prices rose further. Copper, oil and natural gas prices also advanced, with hopes of an interest rate reduction supporting a more optimistic outlook for growth in the medium term.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	23,568.65	3.46%	0.95%	12.45%
S&P500	5,626.02	4.02%	-0.40%	17.95%
NASDAQ	17,683.98	5.95%	-0.17%	17.80%
DJIA	41,393.78	2.60%	-0.41%	9.83%
Russell 2000	2,182.49	4.35%	-1.58%	7.67%
FTSE 100	8,273.09	1.12%	-1.24%	6.98%
Euro Stoxx 50	4,843.99	2.24%	-2.30%	7.13%
Nikkei 225	36,581.76	0.52%	-5.35%	9.32%
Hang Seng	17,369.09	-0.43%	-3.45%	1.89%
Shanghai Comp.	2,704.09	-2.23%	-4.86%	-9.10%
MSCI ACWI	826.93	3.04%	-0.81%	13.75%
MSCI EM	1,082.30	0.69%	-1.60%	5.72%
MSCI ACWI ESG Leaders	2,192.75	3.63%	-0.45%	14.40%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,169.07	0.54%	1.88%	4.24%
BBG Global Agg.	388.12	0.52%	2.09%	4.50%
TSX Pref	2,025.86	0.00%	-0.07%	19.84%

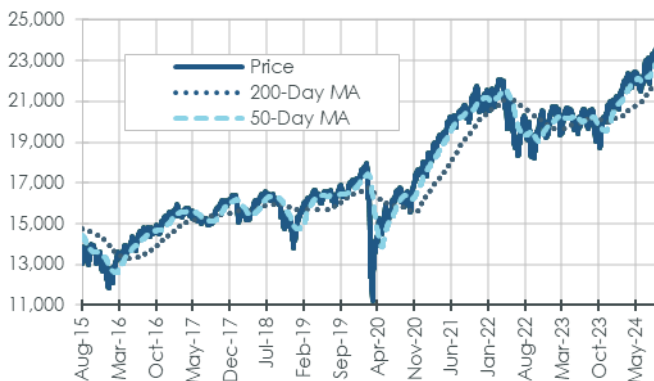
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	2.91%	-6.0	-25.4	-20.1
10 yr U.S. Govt.	3.66%	-5.7	-26.0	-20.7
30 yr Canada Govt.	3.09%	-2.2	-17.1	6.4
30 yr U.S. Govt.	3.99%	-3.9	-22.5	-3.3

Commodities	Close	Weekly	MTD	YTD
Oil	68.65	1.45%	-6.66%	-4.19%
Natural gas	2.31	1.32%	8.37%	-8.31%
Gold	2,577.00	2.55%	2.34%	24.98%
Silver	30.68	9.78%	6.31%	29.01%
Copper	4.18	4.00%	0.72%	7.59%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.74	-0.08%	-0.67%	-2.49%
USD/EUR	0.90	0.08%	-0.25%	-0.35%
CAD/EUR	0.66	0.00%	-0.92%	-2.82%
USD/JPY	140.93	-1.04%	-3.59%	-0.04%
USD/CNY	7.13	0.56%	0.62%	0.14%
USD/MXN	19.21	-3.92%	-2.48%	13.25%
GBP/CAD	1.78	0.06%	0.63%	5.71%
GBP/USD	1.31	-0.02%	-0.05%	3.08%

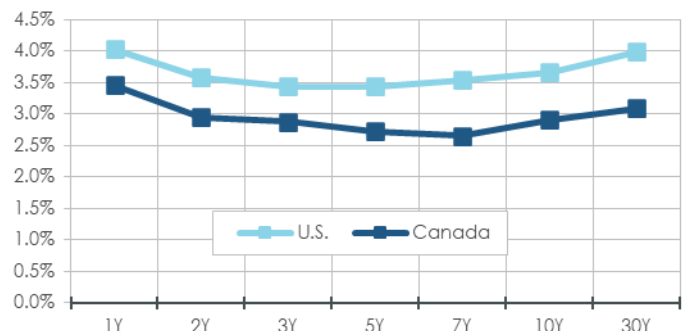
*Please refer to the Appendix for the above table in Canadian dollar terms. Natural gas prices subject to change post-settlement.

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
U.S. CPI YoY	Aug	2.6%	2.5%	2.9%
U.S. core CPI YoY	Aug	3.2%	3.2%	3.2%
Import prices YoY	Aug	-	0.8%	1.7%
ECB refinancing rate	Sep	3.65%	3.65%	4.25%
Japan GDP revised QoQ	Q2	0.8%	0.7%	0.8%
U.S. University of Michigan sentiment	Sep	68.5	69.0	67.9

Canada

Canadian equities advanced for the week, driven by a broad-based rally; investor confidence rose on prospects of continued growth in the U.S. and the global economy. All ten major sectors posted gains. Rising gold prices lifted the materials sector in particular. Other cyclically sensitive sectors, such as financials and industrials, also rose.

In other news, Bank of Canada Governor Tiff Macklem indicated a potential acceleration in interest rate cuts if economic growth underperforms. He also noted concerns about Canada's labour market and the potential impact of declining oil prices on the economy.

U.S.

The major U.S. stock indexes rallied, posting solid gains for the week, and rebounding from the previous week's sharp losses. The rally was fuelled by a favourable Consumer Price Index (CPI) report, which offered one of the final data points for the Fed to consider ahead of its upcoming interest rate decision on Wednesday.

Most sectors moved higher, with the energy sector being the notable exception. From a style perspective, growth stocks outpaced value shares by a wide margin, helped particularly by strong performance from technology stocks. U.S.-based semiconductor giant Nvidia stood out with a key contribution; the stock surged after the company outlined a positive outlook for artificial intelligence at a recent investment conference.

On the economic front, inflation data from the U.S. Labor Department revealed that consumer prices rose at an annual rate of 2.5% in August, the lowest since February 2021. However, core inflation, which excludes food and energy, edged up slightly, to 0.3%, slightly higher than consensus expectations. Meanwhile, the Producer Price

Index increased by 0.2% month-over-month, reinforcing expectations of a rate cut by the Fed at its next meeting. Initial jobless claims rose last week, as expected, and preliminary estimates indicated that U.S. consumer sentiment continued to improve in September as inflation pressures eased. A separate report showed that import and export prices recorded sharper-than-expected declines.

In fixed income, Treasury yields ticked lower, with the yield on the benchmark ten-year Treasury note closing the week at 3.66%, a year-to-date low and down significantly from April's high of 4.70%.

Rest of the world

European equities ended the week on a positive note, with all major indexes advancing, buoyed by the ECB's decision to cut interest rates. The ECB lowered its deposit rate by a quarter point, to 3.5%, the second rate cut this year. The move came amid slowing inflation and signs of weaker economic growth.

In the U.K., the economy stagnated in July, with GDP showing no growth for a second consecutive month, and falling short of a 0.2% growth forecast. The disappointing data, along with declines in industrial and manufacturing production, have fuelled speculation about a rate cut from the Bank of England in the near future.

In Asia, Japanese markets saw mixed performance. The Nikkei 225 Index gained, while the broader TOPIX Index slipped 1.0%. Exporters continued to struggle with currency challenges as the yen strengthened against the U.S. dollar. Japan's second-quarter GDP growth was revised downward to an annualized 2.9%, below initial estimates and market forecasts. Meanwhile, Chinese stocks faced headwinds, with weak inflation data raising concerns about deflationary pressures and the broader economic outlook.

Looking ahead

Economic indicators	Period	Survey	Prior period
U.S. initial jobless claims	14-Sep	230k	230k
Eurozone HICP final YoY	Aug	2.2%	2.2%
U.S. housing starts	Aug	1.31m	1.24m
U.S. retail sales MoM	Aug	-0.2%	1.0%
Canada CPI BoC YoY	Aug	-	1.7%
Bank of England bank rate	Sep	5.0%	5.0%

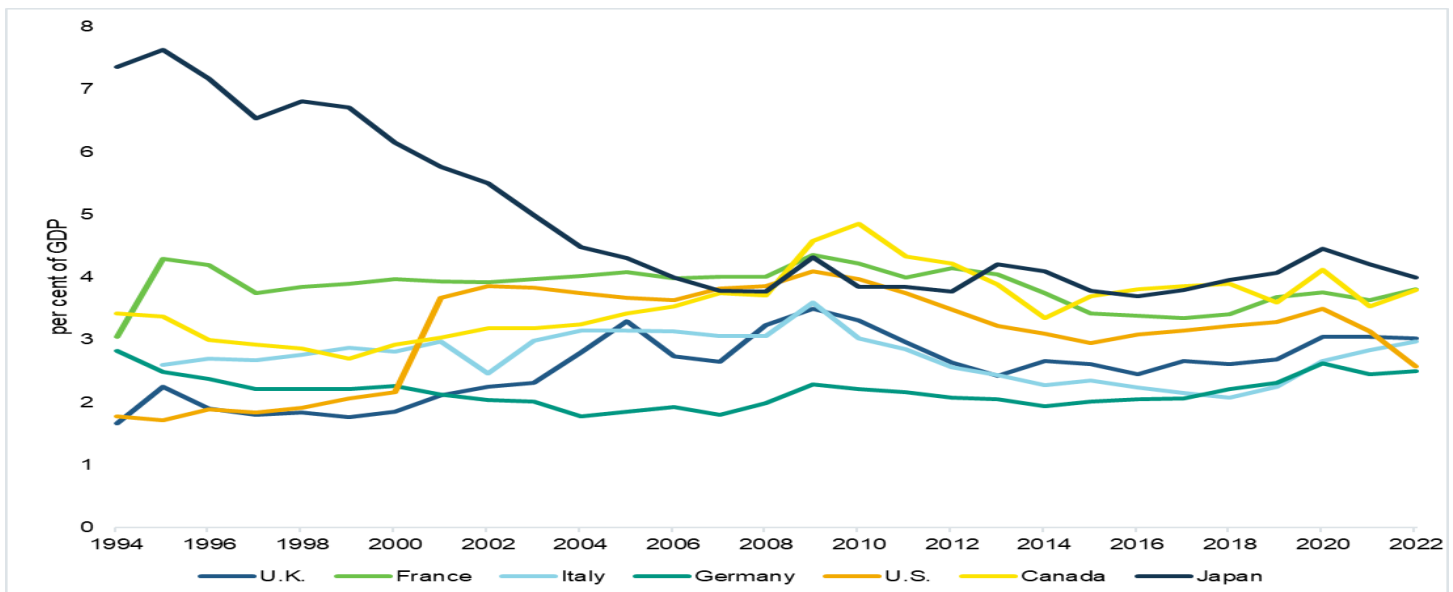
Central bank meetings						
Central banks	Date	Current rate	Expected Change by	Probability (%)	Expected Change by	Probability (%)
European Central Bank	17-Sep	3.50%	-	65.4	0.25	34.6
Federal Reserve	18-Sep	5.38%	-0.50	59.0	-0.25	41.0
Bank of England	19-Sep	5.00%	-	70.0	-0.25	30.0
Bank of Japan	20-Sep	0.25%	-	93.5	0.1	6.5
Bank of Canada	23-Oct	4.25%	-0.25	83.3	-0.5	16.7

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 Fed or overnight indexed swaps (OIS) for other central banks. As at September 13, 2024.

Spotlight

Public investment trend in G7 countries and U.K.'s investment deficit

While other G7 countries have maintained or increased their investment in non-financial assets, the U.K. has faced years of chronically low levels of public investment. The new government's Green Prosperity Plan and proposed national wealth fund signal potential increases in public spending, but whether these efforts can sufficiently address the long-term shortfall remains uncertain.



Source: LSEG Datastream/Fathom Consulting.

Appendix

Global markets (Returns in Canadian dollar terms)

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Commodities	Close	Weekly	MTD	YTD
Oil	93.26	1.53%	-6.03%	-1.74%
Natural gas	3.13	1.40%	9.10%	-5.97%
Gold	3,499.38	2.89%	3.12%	28.70%
Silver	41.66	10.14%	7.11%	32.85%
Copper	5.67	4.08%	1.41%	10.33%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7361	-0.08%	-0.67%	-2.49%
USD/EUR	0.9029	0.08%	-0.25%	-0.35%
CAD/EUR	0.6646	0.00%	-0.92%	-2.82%
USD/JPY	140.9325	-1.04%	-3.59%	-0.04%
USD/CNY	7.1302	0.56%	0.62%	0.14%
USD/MXN	19.2142	-3.92%	-2.48%	13.25%
GBP/CAD	1.7829	0.06%	0.63%	5.71%
GBP/USD	1.3124	-0.02%	-0.05%	3.08%

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

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