

# Keys to the market

## What happened this week

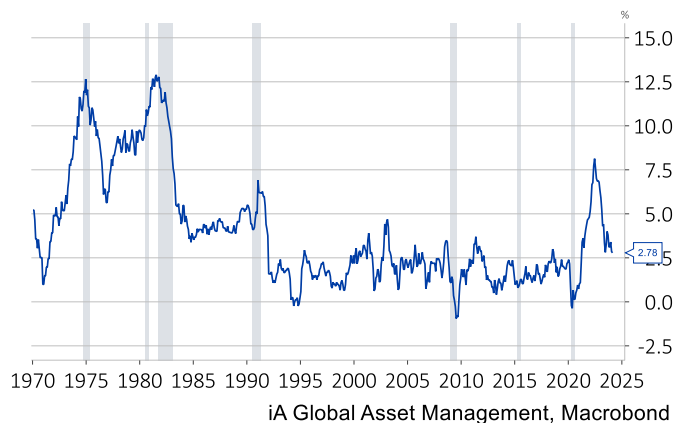
March 22, 2024

In Canada, the Producer Price Index surpassed expectations in February, driven by higher energy costs. Even so, inflation eased unexpectedly during the month; CPI recorded its lowest reading since June 2023 and strengthened the case for a mid-year interest rate cut. Additionally, January retail sales declined, owing to lower car sales. Within the housing sector, existing home sales and prices edged lower in February, while new house prices saw their first increase in six months, with the most significant hikes in Montreal and Edmonton.

South of the border, February U.S. housing starts recorded their biggest rebound in nine months, accompanied by upward revisions for the two previous months. Existing home sales climbed to a one-year high in February, as increased supply helped meet demand. Building permits also revealed stronger-than-expected building activity in February, indicating vigorous demand and a favourable outlook for the housing market. As for the much-awaited interest rate decision, the Federal Reserve left its policy rate unchanged amidst a robust economy and persistent inflation, with the first rate cut still expected this summer.

### Canada: Total Inflation

Statistics Canada, % YoY, as at 2/2024



### Bond market

Even though the Fed kept policy rates unchanged at its meeting this week, investors were caught off guard somewhat because the potential for three cuts in 2024 was kept on the table in the associated release of the central bank's "dot plot," a chart showing each member's projection for rates over the next couple of years. A spell of persistent inflation and better-

### Highlights

- In Canada, CPI recorded its lowest reading since June 2023.
- In the United States, the Fed left its policy rate unchanged.

### On our radar

- Canada: GDP MoM for January
- United States: Durable goods orders, new home sales, and PCE Index for February

than-expected economic performance had the markets resigned in recent weeks to a higher-for-longer positioning from the Fed, but the dot plot, along with more dovish sentiment from central banks in Europe, helped push U.S. 10-year Treasury yields down more than 10 basis points to about 4.2%. That being said, we note the Fed remains data dependent for its rate decisions, so three cuts this year is not a lock. It will be interesting to see how yields respond to the U.S. GDP, PCE and sentiment data to be released next week. The spread markets also enjoyed the positive sentiment washing over the markets, with IG staying just under 90 basis points and HY closing in on 290 basis points.

### Stock market

The S&P 500 Index recorded new highs this week on continued strength in semiconductor earnings and a surprisingly dovish FOMC meeting. As expected, the Fed kept interest rates unchanged, but the dot plot still indicates three rate cuts this year.

Micron saw its biggest rally since 2011, after announcing a clean quarter with a beat and a raise. The memory chipmaker has returned to profitability one quarter ahead of expectations on improved product pricing, better volume and its first revenues from HBM3E, a crucial component of Nvidia's AI chips.

On the flip side, Nike shares fell this week after the company warned that sales would take a hit from the growing challenge of upstart shoe brands. Similarly, Lululemon's stock slumped after the company guided to lower-than-expected revenues owing to a slowdown in U.S. store visits.

## Markets (Total return, in CAD)

As of March 21, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
<b>Equities</b>						
S&P 500	2.49	2.75	13.20	31.16	14.95	15.12
S&P/TSX	1.10	3.62	6.09	16.14	8.68	9.68
NASDAQ	2.92	1.34	11.78	41.76	15.49	19.88
MSCI ACWI	2.20	2.84	11.59	26.90	11.67	12.13
MSCI EAFE	1.43	3.13	8.65	18.07	7.31	7.39
MSCI EM	1.44	2.72	5.58	11.91	-2.49	2.74
<b>Commodities (USD)</b>						
Gold	1.18	6.70	5.74	12.44	7.72	10.75
CRB	-0.17	2.01	4.83	-1.73	1.94	4.78
WTI	0.04	3.59	13.15	16.93	9.69	6.21
<b>Fixed income</b>						
FTSE TMX Canada Universe	0.22	-0.10	-1.80	1.38	-1.52	0.24
FTSE TMX Canada Long	-0.12	-1.10	-4.97	-1.04	-4.06	-1.57
FTSE TMX Canada Corporate Overall	0.32	0.08	-0.39	4.96	0.05	1.71
<b>Currencies</b>						
DXY	0.56	-0.14	2.64	0.73	4.20	1.51
USDCAD	-0.08	-0.35	2.17	-1.33	2.68	0.25
USDEUR	0.26	-0.51	1.64	-0.85	3.11	0.93
USDJPY	1.73	1.09	7.50	14.42	11.67	6.47
USDGBP	0.61	-0.27	0.57	-3.48	3.10	0.70

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
<b>Bond yields</b>		
2Y	4.17	4.64
5Y	3.56	4.25
10Y	3.52	4.27
30Y	3.43	4.43
<b>Credit spreads</b>		
IG corporate bonds	129	91
HY bonds	291	305

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### Rooted in history, innovating for the future.

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