

Weekly Market Monitor

Week ending January 27, 2023



Market developments

Equities: The US market was resilient this week after disappointing 2023 outlooks from several large companies were overshadowed by speculation of smaller Fed hikes as inflation continues to cool. We saw strong gains from Tesla and Microsoft while big names like Apple, Amazon and Meta are scheduled to report next week. The 2.5% climb in the S&P 500 led it to its 3rd positive week this year, while the Nasdaq is up four weeks in a row to start 2023 and up over 4% this week alone.

Fixed income: There was little movement in US treasuries this week with the 10yr closing slightly above 3.5% and the 2yr ~4.2%, as inflation data came in relatively inline on Friday and all eyes are now on the FOMC meeting next week, where a 25bps rate increase is expected. Canadian yield closed slightly higher this week, with the 10yr at ~2.9% following the BoC's expected 25bps interest rate increase.

Commodities: Oil closed down over -2% this week, falling below \$80 a barrel as uncertainty over the outlook for the market rose ahead of the OPEC committee meeting next week and the European Union's ban on Russia oil products. Oil prices did initially climb on Friday on the prospects of China's reopening and the possibility the U.S economy's potential for a soft-landing drove prices to \$82.50, before eventually rolling over to \$79.42 to end the day.

Performance (price return)

SECURITY	PRICE	WEEK	1 MONTH	3 MONTH	YTD
Equities (\$Local)					
S&P/TSX Composite	20,715.52	1.04%	6.20%	7.05%	6.86%
S&P 500	4,070.56	2.47%	6.30%	6.91%	6.02%
NASDAQ	11,621.71	4.32%	12.25%	7.68%	11.04%
DAX	15,150.03	0.77%	8.25%	14.68%	8.81%
NIKKEI 225	27,382.56	3.12%	3.53%	0.14%	4.94%
Shanghai Composite	3,264.81	0.00%	5.47%	9.45%	5.68%
Fixed Income (Performance in %)					
Canada 10-Year Yield	2.90	0.05	-0.27	-0.30	-0.41
US 10-Year Yield	3.51	0.04	-0.33	-0.40	-0.36
German 10-Year Yield	2.24	0.06	-0.29	0.28	-0.33
US High Yield Spread	4.42	-0.11	-0.30	-0.52	-0.39
Commodities (\$USD)					
Oil	79.42	-2.32%	-0.14%	-10.84%	-1.05%
Gold	1927.89	0.09%	6.30%	15.91%	5.69%
Copper	422.15	-0.71%	10.12%	19.95%	10.79%
Currencies (\$USD)					
DXY	101.94	-0.07%	-2.15%	-7.82%	-1.52%
Loonie	1.331	-0.53%	-1.58%	-1.88%	-1.80%
Euro	0.9201	-0.11%	-2.11%	-8.32%	-1.50%
Yen	129.84	0.19%	-2.73%	-11.24%	-0.98%

As of January 27, 2023

Macro developments

Canada – The Bank of Canada raises overnight rate by 25bps to 4.5%

The Bank of Canada raised interest rates by 25bps, in line with market expectations and signaled the end of this tightening cycle should the economy evolve in line with the bank's outlook. They commented that households are still feeling the pressure of inflation as food and shelter continued to accelerate. Short term inflation is expected to remain elevated and only projected to come down meaningfully later in the year.

U.S. – U.S GDP expands by 2.9%, PCE prices index rose in line at 0.1% and initial jobless claims came in below expectations at 186K

The U.S economy grew by 2.9% annualized in Q4, ahead of forecasts of 2.6% and lower than the 3.2% seen in Q3. Consumer spending rose 2.1%, missing estimates of 2.3%. Spending on goods increased 1.1%, driven by automobiles and parts, while spending on services slowed to 2.6%. The contribution from net trade declined, as exports fell -1.3% and imports went down 4.6%.

The PCE price index rose by 0.1% MoM in December as services increased by 0.5%, while goods continued to decline at -0.7% and food prices were up 0.2%. The labour market remains tight as initial jobless claims fell by 6K to 186K on the week ending January 21st, below expectations of 205K.

International – Eurozone PMI increased ahead of expectations, U.K PMI fell to 47.8 and Japan PMI rose to 50.8

Eurozone manufacturing PMI increased to 48.8 in January, up from 47.8 in the previous month and above the market expectations of 48.5. New orders decreased at the slowest rate since May and employment accelerated. Supply chain constraints look to be behind us as factories reports unchanged supplier delivery times for the second straight month. Services PMI also came in above market expectations as it rose to 50.7 vs estimates of 50.2, with Technology and Health Care helping drive the expansion.

The U.K composite PMI fell to 47.8 in January from 49 a month ago; missing expectations of 49.1. This data point signaled the fastest rate of decline in business activity since January 2021, due to a weaker service sector performance. Manufacturing production also decreased but was the smallest contraction since July 2022. Improved business activity reflects the hope of a turnaround in 2023 as cost pressures may continue to slow throughout the year.

Japan Composite PMI climbed to 50.8 in January, up from 49.7 a month ago and the highest reading since last October. This result also pointed to the first expansion in private sector activity in three months as services made substantial gains.

Quick look ahead

Date	Country / Region	Event		Survey	Prior
30-Jan-23	China	Manufacturing PMI	Jan	50.1	47
30-Jan-23	China	Non-manufacturing PMI	Jan	52	41.6
30-Jan-23	China	Composite PMI	Jan	--	42.6
30-Jan-23	Germany	GDP SA QoQ	4Q P	0.00%	0.40%
30-Jan-23	Germany	GDP NSA YoY	4Q P	0.80%	1.20%
30-Jan-23	Germany	GDP WDA YoY	4Q P	1.30%	1.30%
30-Jan-23	Japan	Jobless Rate	Dec	2.50%	2.50%
30-Jan-23	Japan	Retail Sales YoY	Dec	3.10%	2.50%
30-Jan-23	Japan	Retail Sales MoM	Dec	0.80%	-1.30%
31-Jan-23	Canada	GDP MoM	Nov	0.10%	0.10%
31-Jan-23	Canada	GDP YoY	Nov	2.80%	3.10%
31-Jan-23	China	Caixin China PMI Mfg	Jan	49.8	49
31-Jan-23	Eurozone	GDP SA QoQ	4Q A	-0.10%	0.30%
31-Jan-23	Eurozone	GDP SA YoY	4Q A	1.70%	2.30%
31-Jan-23	Germany	CPI YoY	Jan P	9.40%	8.60%

31-Jan-23	Germany	CPI MoM	Jan P	1.20%	-0.80%
31-Jan-23	Germany	Unemployment Change (000's)	Jan	5.0k	-13.0k
31-Jan-23	Germany	CPI EU Harmonized YoY	Jan P	10.20%	9.60%
31-Jan-23	Germany	CPI EU Harmonized MoM	Jan P	1.40%	-1.20%
31-Jan-23	Germany	Unemployment Claims Rate SA	Jan	5.50%	5.50%
31-Jan-23	Germany	Retail Sales MoM	Dec	-0.50%	1.70%
31-Jan-23	Germany	Retail Sales NSA YoY	Dec	-2.60%	-5.10%
01-Feb-23	Canada	S&P Global Canada Manufacturing PMI	Jan	--	49.2
01-Feb-23	Eurozone	CPI MoM	Jan P	0.10%	-0.40%
01-Feb-23	Eurozone	CPI Estimate YoY	Jan	9.00%	9.20%
01-Feb-23	Eurozone	Unemployment Rate	Dec	6.50%	6.50%
01-Feb-23	Eurozone	CPI Core YoY	Jan P	5.10%	5.20%
01-Feb-23	United States	FOMC Rate Decision (Upper Bound)	01-Feb	4.75%	4.50%
01-Feb-23	United States	ISM Manufacturing	Jan	48	48.4
01-Feb-23	United States	JOLTS Job Openings	Dec	10286k	10458k
01-Feb-23	United States	ISM New Orders	Jan	--	45.1
02-Feb-23	China	Caixin China PMI Services	Jan	51.6	48
02-Feb-23	China	Caixin China PMI Composite	Jan	--	48.3
02-Feb-23	Eurozone	ECB Deposit Facility Rate	02-Feb	2.50%	2.00%
02-Feb-23	United Kingdom	Bank of England Bank Rate	02-Feb	4.00%	3.50%
03-Feb-23	United States	Change in Nonfarm Payrolls	Jan	185k	223k
03-Feb-23	United States	Unemployment Rate	Jan	3.60%	3.50%
03-Feb-23	United States	ISM Services Index	Jan	50.5	49.2
03-Feb-23	United States	Average Hourly Earnings YoY	Jan	4.30%	4.60%
03-Feb-23	United States	Average Hourly Earnings MoM	Jan	0.30%	0.30%

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