Market Wrap

JOBS • HOUSING • PRICES • MARKETS

WEEK ENDING JULY 12, 2024

Market Recap

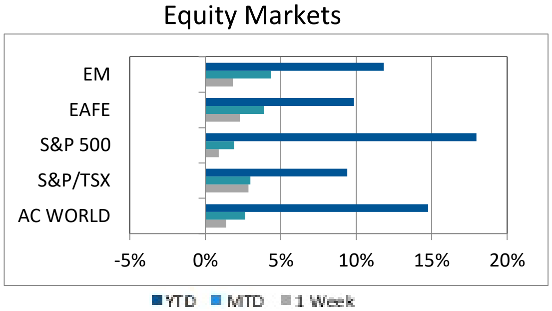
- Global equity markets saw widespread gains last week as signs of a resumption of the disinflationary trend in the United States saw investors brace for earlier rate cuts from the Federal Reserve. In testimony to Congress, Chair Powell provided the clearest acknowledgement yet of the risk of waiting too long to cut interest rates – arguing that the risks around inflation and growth are now more two-sided. Notably, he said that "in light of the progress made both in lowering inflation and in cooling the labor market over the past two years, elevated inflation is not the only risk we face. Reducing policy restraint too late or too little could unduly weaken economic activity and employment." For the week, the MSCI All Country World rose 1.3%. Interestingly, the biggest winners were not the high-flying (Mag-7) names that typically rally on the back of lower treasury yields - but rather the cyclical sectors that have lagged. The S&P 500 gained just 0.9%, while the Nasdaq bucked the global trend and was down -0.3% last week. Elsewhere, the S&P/TSX jumped 2.8%, while the MSCI EAFE rose 2.3% and the MSCI gauge of emerging market stocks advanced 1.7%.

- Fixed income markets generated positive results and have all but erased this years declines as cooling inflation boosted bets on Federal Reserve rate cuts. Following the cooler-than-expected CPI report in the United States, treasury yields tumbled lower as investors solidified around a September rate cut (91% odds) – with at least two quarter-point moves now expected in 2024. Ahead of that report, traders were divided as to whether there would be just one or two rate cuts this year. The 10-year treasury yield fell by 10 basis points to 4.18%, while the policy-sensitive 2-year yield plummeted by 15 basis points to 4.45%. The gravitational pull of the treasury market saw the Canadian bond market experience similar moves. For the week, the Barclays US Aggregate Bond Index rose 0.82%, while the FTSE Canada Bond Universe rose 0.72%.

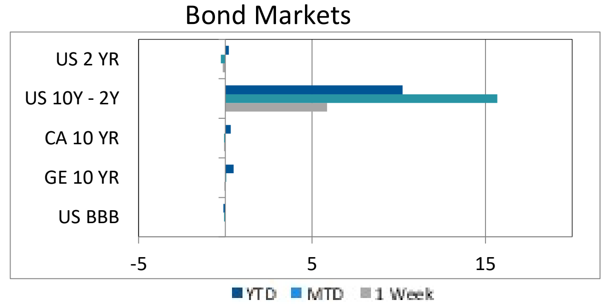
- Oil prices ended an erratic week lower. Initially, prices rose following data showing falling inventories at the storage hub in Cushing that pointed towards tightness in the market. However, that came up against some caution after the International Energy Agency sounded the alarm on the outlook for demand as China's economy cools – while progress on a cease-fire between Israel and Hamas also weighed on prices late in the week. By contrast, gold prices advanced as cooler inflation in the United States boosted bets the Federal Reserve will soon begin cutting rates. Copper retreated on sustained concerns about rising inventories – highlighting an imbalance between excess supplies and softening demand in top-consumer China.

- In currency markets, the US dollar (DXY) retreated after softer-than-expected inflation data prompted investors to bring forward their expectations for Federal Reserve rate cuts. The greenback was weaker versus its major currency peers. Of note, the pound rose to a four-month high following data showing the UK economy expanded at double the expected pace in May – while hopes for political stability after Labour's landslide election victory continued to buttress the pound. Investors backed away from bets on a move from the Bank of England in August and are seeing just under 50% odds of a rate cut at that meeting. Meanwhile, the Canadian dollar advanced for a fifth straight week against a broadly weaker greenback.

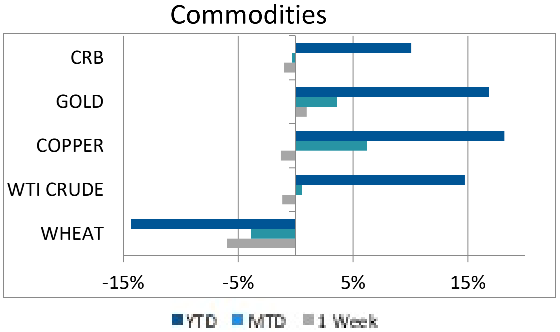
Equity Markets



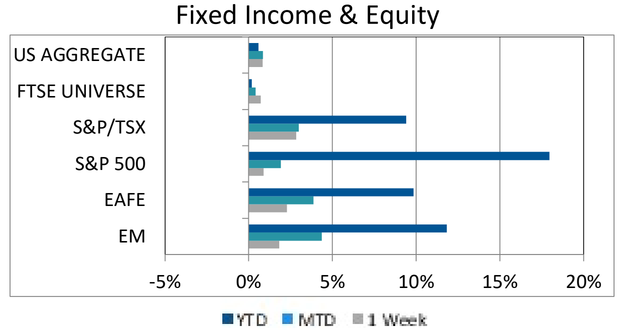
Bond Markets



Commodities



Fixed Income & Equity



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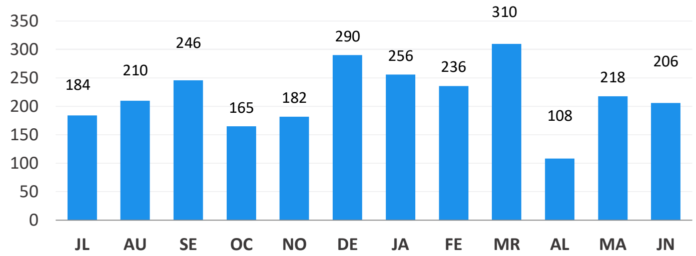
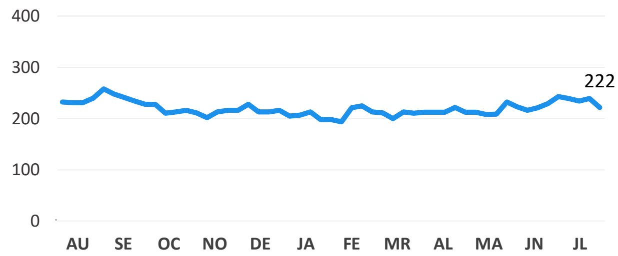
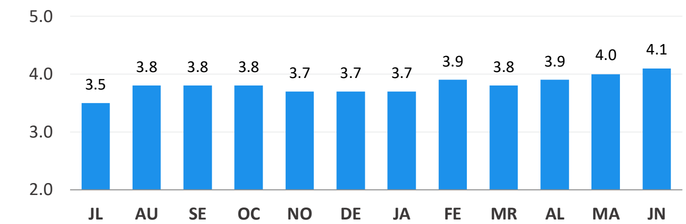
Job Creation (in thousands)*



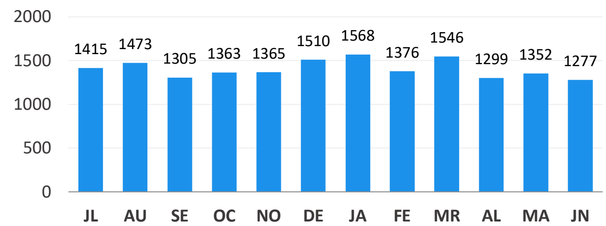
Initial Jobless Claims (in thousands)*



U.S. Unemployment Rate (%)



Housing Starts (in thousands)*



* U.S. Data

10-Year Government Bonds

		January 1, 2024	July 5, 2024	July 12, 2024
Canada		3.18%	3.61%	3.41%
United States		3.93%	4.36%	4.18%
Germany		2.07%	2.61%	2.50%
Japan		0.61%	1.08%	1.07%
United Kingdom		3.64%	4.20%	4.11%
France		2.60%	3.28%	3.15%
Australia		4.00%	4.41%	4.32%
Italy		3.71%	4.00%	3.79%

Commodities, Exchange Rates and Indicators

		January 1, 2024	July 5, 2024	July 12, 2024
Oil		70.38 $	83.16 $	82.21 $
Gold		2 058.96 $	2 392.16 $	2 411.43 $
CAD		0.7507 $	0.7331 $	0.7334 $
EURO		1.0942 $	1.0840 $	1.0907 $
			April	May
Inflation* Canada			1.60%	1.80%
Inflation* USA			3.60%	3.40%

* CORE-CPI YOY

Indices as of June 30, 2024

Index (%)	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
S&P/TSX Composite	(1.42)	(0.52)	6.06	12.14	6.05	9.33	6.97
S&P/TSX Small Cap	(1.93)	0.85	8.84	14.54	1.74	8.36	3.22
S&P 500 (USD)	3.59	4.28	15.29	24.54	9.99	15.03	12.84
S&P 500 (CAD)	3.98	5.45	19.64	28.80	13.74	16.11	15.72
Stoxx Europe 600 (CAD)	(2.04)	1.48	9.61	15.52	6.86	8.16	6.92
MSCI EAFE (CAD)	(1.24)	0.69	9.31	15.34	6.38	7.45	6.98
MSCI Emerging Markets (CAD)	4.34	6.17	11.54	16.38	(1.85)	4.05	5.40
MSCI World (CAD)	2.42	3.78	15.96	24.29	10.47	12.81	11.93

Sources: Bloomberg, Fiera Capital Corporation