



Monthly Market Snapshot

Monthly Overview

January 2025

Equity markets were generally weaker in December, although the limp into the end of the year was not enough to tarnish what was a stellar year for stocks. The rally in 2024 was driven by a positive backdrop of resilient economic activity, robust corporate earnings growth, and easing monetary policy by global central banks. Canada's main stock index recorded a gain of 18% – its best year since 2021, while the S&P 500 achieved its second consecutive year of 20%-plus performance for the first time since 1998. In CAD terms, the index soared 34.4%

The S&P/TSX Composite Index was down 3.6% in December but rose 3.0% in the year's final quarter. Five of the benchmark's underlying sectors were positive in Q4. Leading the way was the information technology sector, which posted a gain of 22.1%. Small-cap stocks, as measured by the S&P/TSX SmallCap Index, eked out 0.1% for the quarter and a 16% gain for the year.

The U.S. dollar crushed the loonie in Q4, jumping 6.4% and strongly boosting the returns of foreign markets from a Canadian investor's standpoint. Note that all returns in this paragraph are in CAD terms. U.S.-based stocks, as measured by the S&P 500 Index, rose 0.2% in December and finished the quarter higher by 8.7%. Consumer discretionary and telecommunication services led the gains, with respective returns of 21.5% and 15.7%. International stocks, as measured by the FTSE Developed ex-U.S. Index, fell 2.2% during the quarter, while emerging markets lost 0.5%. These benchmarks were up 9.8% and 19.4% on the year, respectively.

Canadian investment grade bonds, as measured by the FTSE Canada Universe Bond Index, were flat during the quarter but added 4.2% on the year. The key global investment grade bond benchmark we follow rose 1.0% in Q4 and added 7.2% on the year. Global high-yield issues were up 6.4% in Q4, and added 17.4% on the year.

Turning to commodities, natural gas prices rose 8.0% in December and surged 24.3% in Q4. The price of a barrel of crude oil rose 5.5% in December and 5.2% in Q4. Gold fell 0.6% in December but eked out a 0.2% gain in Q4. Both silver and copper had a negative month, falling 4.7% and 1.3%, respectively, and a negative quarter, falling 7.0% and 11.6%, respectively.

Inflation in Canada cooled to 1.9% year-over-year in November, with most of the major categories, especially shelter and recreation, posting further softening. The Canadian economy created 51,000 jobs in November, as the nation's unemployment rate rose to 6.8%. In its final meeting of 2024, the Bank of Canada opted to lower its lending rate by 50 basis points, bringing it down to 3.25%.

U.S. nonfarm payrolls increased by 227,000 in November, as the unemployment rate held steady at 4.2%. The consumer price index rose to 2.7% year-over-year in November, driven primarily by a slower pace of energy price declines. In its final meeting of 2024, the Federal Reserve lowered its key interest rate by a quarter percentage point, bringing the target range to 4.25–4.5%. The Fed indicated that it probably would only lower twice more in 2025.

Content sourced from Bloomberg; data as at December 31, 2024.



Chart of the Month: Will History Rhyme for the S&P 500 in 2025?

Last year was a stellar year for stocks, and the S&P 500's annual total return of 26.7% was the second year in a row in which the gain for the index exceeded 20%. Going back to 1950, there have only been eight other instances where the benchmark posted consecutive calendar year returns of more than 20% on a total return basis. There are plenty of forecasts predicting what 2025 might have in store for markets – some bullish, some bearish – but an extremely rudimentary historical analysis reveals that the market was higher in the year after two consecutive 20%+ years three-quarters of the time, and the average gain in those up years was 19%. Even when there were losses after two consecutive 20%+ years, they were far from extreme. We are dealing with a very small sample size here, and the predictive value of this historical analysis may be limited, but the point is that markets are not destined for bad things simply because the two preceding years were so good. And if, as Twain suggested, history indeed does rhyme, investors may have much to look forward to in 2025.

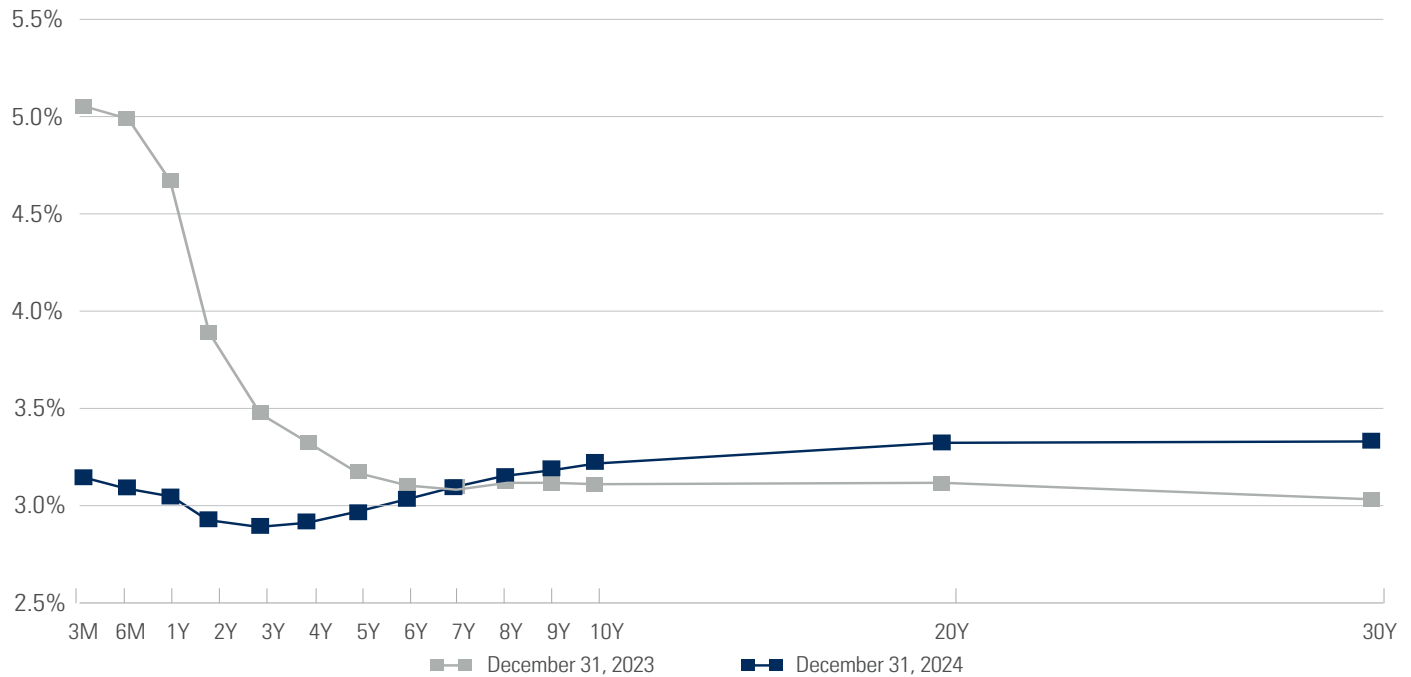
S&P 500 Total Returns (in USD terms) After Back-to-Back 20% Returns (1950 - 2024)

Years that Gained +20%	Year 1 Return	Year 2 Return	Year After Back-to-Back 20% Gains
1950 and 1951	30.8%	23.7%	18.2%
1954 and 1955	52.6%	32.6%	7.4%
1975 and 1976	37.0%	23.8%	-7.0%
1982 and 1983	20.4%	22.3%	6.1%
1995 and 1996	37.2%	22.7%	33.1%
1996 and 1997	22.7%	33.1%	28.3%
1997 and 1998	33.1%	28.3%	20.9%
1998 and 1999	28.3%	20.9%	-9.0%
2023 and 2024	26.1%	26.7%	?

Source: Carson Investment Research



Canadian Sovereign Yield Curve



Source: Bloomberg.

Monthly Market Statistics

Data to December 31, 2024, unless otherwise indicated

Table 1: Equity Index Returns (% in CAD)

Index	1 Mo	3 Mo	6 Mo	YTD	1 Yr	3 Yr	5 Yr	3 Yr Std Dev
S&P/TSX Composite	-3.6	3.0	13.0	18.0	18.0	5.2	7.7	13.5
S&P/TSX 60	-3.7	3.0	13.6	17.2	17.2	4.8	7.9	13.4
S&P/TSX Small Cap	-3.6	0.1	7.9	16.0	16.0	1.7	6.5	18.6
S&P 500	0.2	8.7	13.3	34.4	34.4	12.0	15.1	17.0
FTSE Developed ex US	-0.2	-2.2	3.2	9.8	9.8	2.9	4.5	15.9
FTSE Developed	0.0	5.7	10.6	26.5	26.5	8.9	11.4	15.9
FTSE Developed Small Cap	-3.9	4.0	10.5	16.9	16.9	3.8	7.7	19.2
FTSE Developed Europe	0.2	-3.8	1.2	8.6	8.6	2.9	4.6	18.1
FTSE Emerging	3.2	-0.5	7.9	19.4	19.4	1.9	2.5	15.3
FTSE All World Asia Pacific	1.6	-1.1	6.0	16.3	16.3	2.6	3.8	15.6

Source: Bloomberg.

Table 2: Fixed-Income Returns (%)

Index	1 Mo	3 Mo	6 Mo	YTD	1 Yr	3 Yr	5 Yr	3 Yr Std Dev
FTSE TMX Canada Universe Bond	-0.7	0.0	4.6	4.2	4.2	-0.6	0.8	7.4
Barclays Global Agg	0.5	1.0	6.7	7.2	7.2	-0.3	0.1	6.6
Barclays High Yield Very Liquid Index	2.2	6.4	10.4	17.4	17.4	7.0	5.7	6.5

Source: Bloomberg.



Table 3: Commodity Prices (Prices and Returns in USD)

Commodity	Price (\$)	MoM Change (%)	YoY Change (%)	3 Mo (%)
WTI Crude Oil/BBL	71.72	5.5	0.1	5.2
Natural Gas/mmBTU	3.63	8.0	44.5	24.3
Copper/pound	4.03	-1.3	3.5	-11.6
Silver/oz	29.24	-4.7	21.4	-7.0
Gold/oz	2641.00	-0.6	27.5	0.2

Source: Bloomberg.

Table 5: One-Month Sector Returns (% in CAD)

Sector	S&P/TSX returns	S&P 500 returns
Consumer Discretionary	-3.1	5.2
Consumer Staples	-0.8	-2.6
Energy	-4.3	-7.0
Financials	-1.8	-2.9
Health Care	-4.5	-3.7
Industrials	-3.9	-5.5
Info Tech	-4.2	3.9
Materials	-5.5	-8.4
Real Estate	-6.4	-6.6
Telecom Services	-10.9	6.4
Utilities	-3.5	-5.5

Source: Bloomberg.

Table 4: Economic Data

Canada	
Real GDP- Q3 (q/q ann. % change)	1.0
Consumer Prices, 10/2024 (y/y % change)	1.9
Unemployment Rate, 10/2024	6.8
United States	
Real GDP- Q3 (q/q ann. % change)	3.1
Consumer Prices, 10/2024 (y/y % change)	2.7
Unemployment Rate, 10/2024	4.2

Source: Bloomberg, Stats Canada.

Table 6: Exchange Rates

Cross	12/31/2024	6 Mos Ago	1 Yr Ago
USD/CAD	1.44	1.35	1.32
EUR/CAD	1.49	1.47	1.46
GBP/CAD	1.80	1.73	1.69
CAD/JPY	109.34	117.52	106.32

Source: Bloomberg.

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