



Monthly Market Snapshot

Monthly Overview

September 2024

Major stock markets ended August at or near record highs after recovering from corrections at the beginning of the month, setting the stage for a September that may see interest rate cuts on both sides of the border. The spotlight at the end of August was on NVIDIA's earnings, which exceeded consensus estimates, but not to the same extent as in previous quarters.

Canada's benchmark S&P/TSX Composite Index was 1.0% higher in August, as seven of the underlying sectors in the index were positive during the month, led by a 6.2% gain for the Information Technology sector. Consumer Staples was the worst-performing sector, with a 3.5% loss. Small-cap stocks, as measured by the S&P/TSX SmallCap Index, fell 1.4% for the month.

The U.S. dollar depreciated by 2.3% versus the loonie in August, decreasing 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, were flat in August. Seven of the benchmark's underlying sectors were in the green during the month with Consumer Staples and Real Estate rising 3.4%, and 3.3%, respectively. International stocks, as measured by the FTSE Developed ex-US Index, eked out a gain of 0.5% during the month, while emerging markets fell 0.7%.

The investment grade fixed income indices we follow were positive in August. Canadian investment grade bonds, as measured by the FTSE Canada Universe Bond Index, increased by 0.3% during the month, while the key global investment grade bond benchmark rose 2.4%. Global high-yield issues gained 1.6%.

Turning to commodities, natural gas prices rose 4.5% during the month, while the price of a barrel of crude oil fell 5.6%. Gold had a positive month, gaining 3.2%, while copper and silver fell 0.8% and 0.7%, respectively.

Inflation in Canada rose to 2.5% year-over-year in July, lower than the 2.7% gain in June. The deceleration was driven by base year effects for items like travel tours, passenger vehicles, and electricity. The Canadian economy subtracted 2,800 jobs in July, as the nation's unemployment was unchanged at 6.4%. The Canadian economy grew by 2.1% in Q2 2024, following a slight upward revision to the Q1 figure of 1.8%.

U.S. nonfarm payrolls grew by 114,000 in July, but the unemployment rate rose to 4.3%. The consumer price index increased 0.2% for the month, putting the 12-month inflation rate at 2.9%, its lowest since March 2021. The U.S. economy expanded at an annualized rate of 2.8%, marking an acceleration from the 1.4% growth observed in the previous quarter. Markets are fully pricing in a September rate cut, which would be the first since the emergency easing in the early days of the Covid crisis.

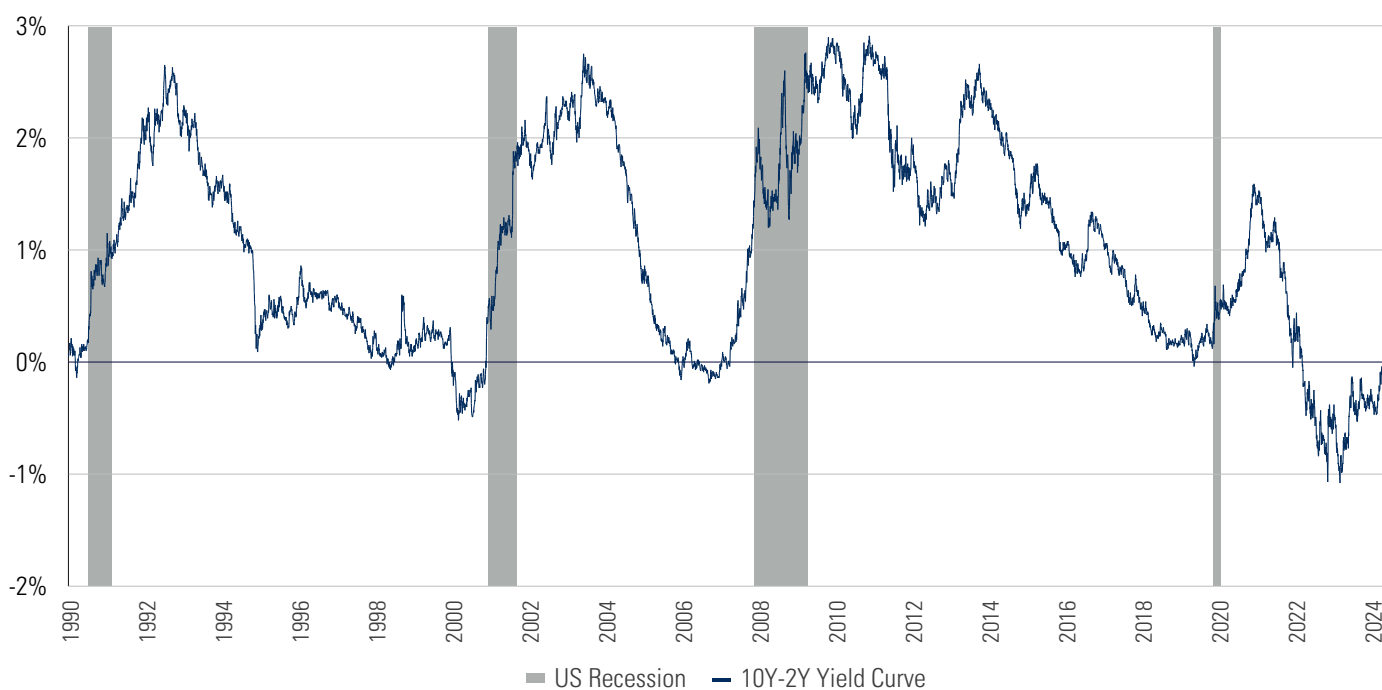
Content sourced from Bloomberg; data as at August 31, 2024.



Chart of the Month: Uninverted Yield Curve Signaling Recession

The difference between U.S. 10-year and two-year treasury yields is closely watched by market observers. Usually, the 10-year yield is higher, creating an upward-sloping yield curve. However, there are times when the 10-year yield falls below the two-year yield, and this is known as a yield curve inversion. In March 2022, the yield curve briefly inverted for the first time since 2019 and it remained inverted from July 2022 until now. History has shown that every recession since 1990 was preceded by the yield curve uninverting, with the recession beginning within two to six months. Yield curve uninversion is typically associated with Fed rate cuts, as these work to bring down the short end of the curve, thereby restoring the yield curve's positive slope. Cutting cycles usually come when economic conditions cool, and only time will tell whether a recession looms this time, and if so, how long it will last.

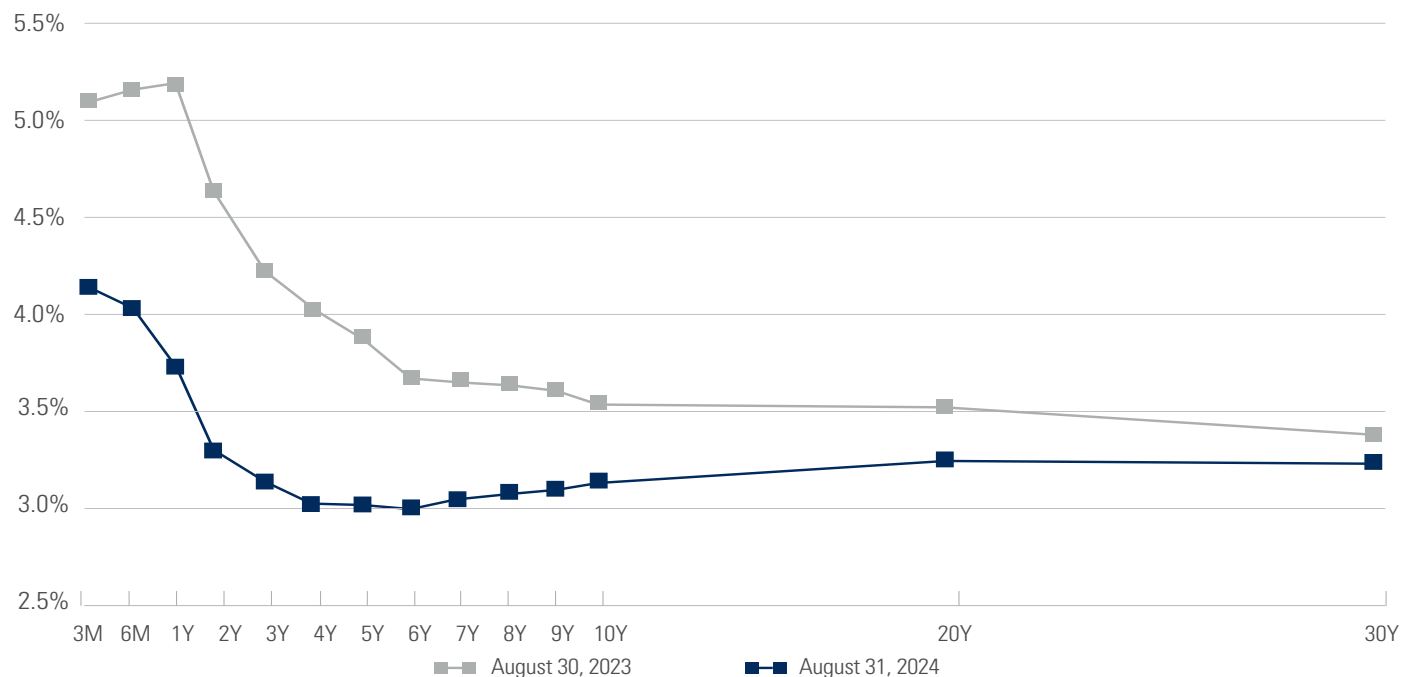
Recession Signaled by Inverting Yield Curve?



Source: Federal Reserve Bank of St. Louis



Canadian Sovereign Yield Curve



Source: Bloomberg.

Monthly Market Statistics

Data to August 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	1.0	4.8	9.3	11.4	15.0	4.3	7.3	13.4
S&P/TSX 60	1.5	5.1	8.6	10.8	15.2	4.4	7.4	13.2
S&P/TSX Small Cap	-1.4	1.8	11.8	11.9	11.2	1.3	6.2	18.9
S&P 500	0.0	5.9	10.2	21.1	24.9	10.1	14.4	16.6
FTSE Developed ex US	0.5	3.3	6.6	11.3	15.4	3.1	6.4	15.8
FTSE Developed	0.2	5.3	9.0	17.8	21.9	7.3	11.5	15.6
FTSE Developed Small Cap	-2.1	2.7	5.9	10.3	14.3	1.5	8.0	18.9
FTSE Developed Europe	1.3	2.3	8.0	12.3	16.6	4.1	7.1	18.0
FTSE Emerging	-0.7	3.5	8.1	11.3	12.7	-2.1	3.0	15.2
FTSE All World Asia Pacific	-0.8	4.2	7.1	12.3	14.5	0.1	4.8	15.4

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	0.3	3.9	4.1	2.3	7.9	-1.2	0.1	7.3
Barclays Global Agg	2.4	5.3	4.6	1.9	6.9	-4.2	-1.4	6.9
Barclays High Yield Very Liquid Index	1.6	4.6	6.0	6.1	12.5	2.2	3.9	7.6

Source: Bloomberg.



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

Commodity	Price (\$)	MoM Change (%)	YoY Change (%)	3 Mo (%)
WTI Crude Oil/BBL	73.55	-5.6	-12.1	-4.5
Natural Gas/mmBTU	2.13	4.5	-23.2	-17.8
Copper/pound	4.15	-0.8	9.9	-9.9
Silver/oz	28.73	-0.7	17.4	-5.6
Gold/oz	2504.50	3.2	28.6	7.8

Source: Bloomberg.

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

Sector	S&P/TSX returns	S&P 500 returns
Consumer Discretionary	0.7	-3.3
Consumer Staples	-3.5	3.4
Energy	-0.3	-4.5
Financials	2.6	2.1
Health Care	-2.6	2.7
Industrials	-1.3	0.4
Info Tech	6.2	-1.1
Materials	-0.6	0.0
Real Estate	4.7	3.3
Telecom Services	0.8	-1.0
Utilities	1.1	2.0

Source: Bloomberg.

Table 4: Economic Data

Canada	
Real GDP- Q2 (q/q ann. % change)	1.7
Consumer Prices, 06/2024 (y/y % change)	2.7
Unemployment Rate, 06/2024	6.4
United States	
Real GDP- Q2 (q/q ann. % change)	2.8
Consumer Prices, 06/2024 (y/y % change)	3.0
Unemployment Rate, 06/2024	4.3

Source: Bloomberg, Stats Canada.

Table 6: Exchange Rates

Cross	08/30/2024	6 Mos Ago	1 Yr Ago
USD/CAD	1.35	1.36	1.35
EUR/CAD	1.49	1.47	1.46
GBP/CAD	1.77	1.71	1.71
CAD/JPY	108.34	110.46	107.75

Source: Bloomberg.

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