



Monthly Market Snapshot

Monthly Overview

November 2024

October was a turbulent month for stock markets, but broadly, equities managed to eke out gains from a Canadian investor's perspective. Third-quarter earnings season for S&P 500 companies is in full swing, and results have been generally positive, although guidance has been cautious. Look for continued market volatility in November, with the election and geopolitical headlines taking centre stage.

Canada's benchmark S&P/TSX Composite Index was 0.7% higher in October, as five of its underlying sectors were positive during the month, led by a 4.8% gain for energy. Real estate was the worst-performing sector, with a 6.0% loss. Small-cap stocks, as measured by the S&P/TSX SmallCap Index, rose 1.3% for the month.

The U.S. dollar appreciated by 3.0% versus the loonie in October, increasing 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 2.1% in October. Eight of the benchmark's underlying sectors were in the green during the month with financials and communication services rising 5.7% and 4.9%, respectively. International stocks, as measured by the FTSE Developed ex-US Index, fell 2.4% during the month, while emerging markets were down 1.4%.

The investment grade fixed income indices we follow were negative in October. Canadian investment grade bonds, as measured by the FTSE Canada Universe Bond Index, declined by 1.0% during the month, while the key global investment grade bond benchmark tumbled by 3.4%. Global high-yield issues fell 0.7%.

Turning to commodities, natural gas prices fell 7.4% during the month, while the price of a barrel of crude oil rose 1.6%. Gold and silver had a positive month, both gaining 4.3%, while copper fell 4.7%.

Inflation in Canada eased to 1.6% year-over-year in September, lower than the 2.0% reading from August. The deceleration was driven by gasoline, which was down 7.1% in September. The Canadian economy added 47,000 jobs in September, as the nation's unemployment was improved at 6.5%. The Canadian economy grew by 2.1% in Q2 2024, following a slight upward revision to the Q1 figure of 1.8%. In October, the Bank of Canada lowered its key interest rate by 50 basis points to 3.75%.

U.S. nonfarm payrolls grew by 254,000 in September, improving the unemployment rate to 4.1%. The consumer price index rose 0.2% for the month, putting the 12-month inflation rate at 2.4%. The U.S. economy expanded at an annualized rate of 2.8%, below the 3.1% estimate and the 3.0% reading from Q2. Consumer spending and federal government outlays were two of the biggest contributors to GDP growth.

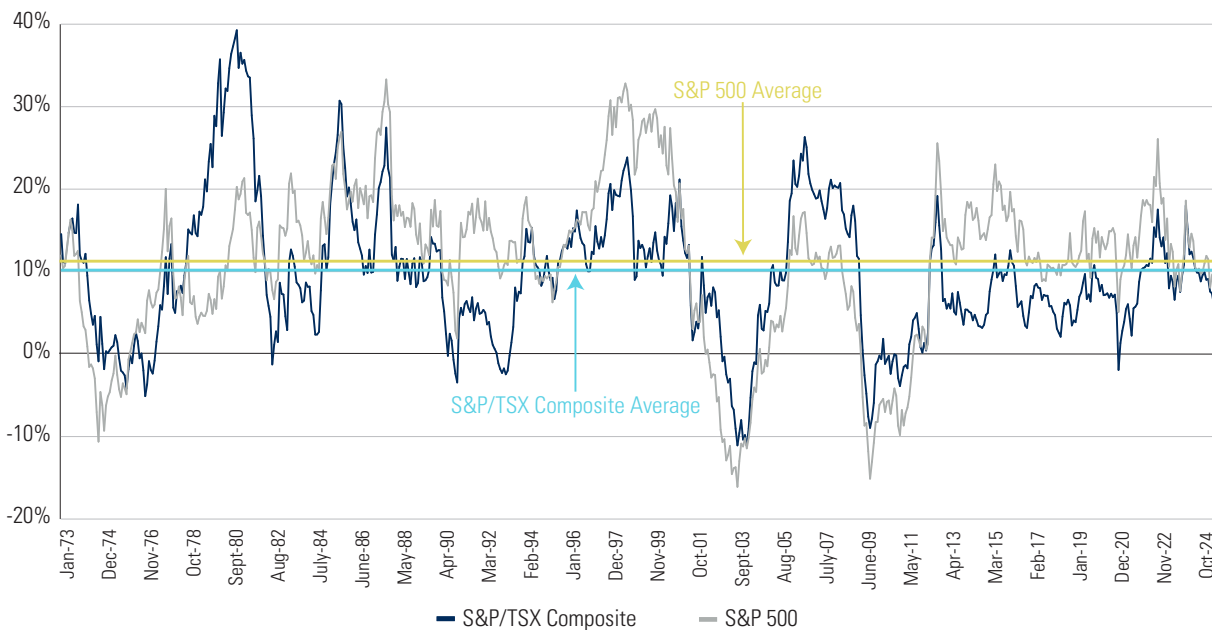
Content sourced from Bloomberg; data as at October 31, 2024.



Chart of the Month: Are Hot Markets Overdone?

It's been an incredible run for stocks over the past year, with the S&P/TSX Composite Index adding 32% and the S&P 500 gaining 38% for the 12 months ended October 31. For both benchmarks, we have witnessed new record highs on a regular basis during the period. Looking through a short-term lens, such sizable gains may prompt concerns that things may be overdone. If you were to take a slightly longer-term perspective, however, and go out three years, you would see that the three-year annualized return was 9.5% for the TSX and 11.9% for the S&P 500 through October 31. Those stats don't seem nearly as lofty and are about in-line with the average rolling three-year returns for each index going back 50 years. Another interesting thing to look at is how often these markets have been positive over the past half century on a three-year basis. It's easy to get caught up in the short term, but this is a useful exercise. Considering all the rolling three-year periods for the TSX and the S&P 500 going back 50 years, you would see that returns were positive 88% and 87% of the time, respectively. So yes, the getting has been good for stock investors recently, but with the help of a slightly wider lens, the run-up appears to only have been, well, average.

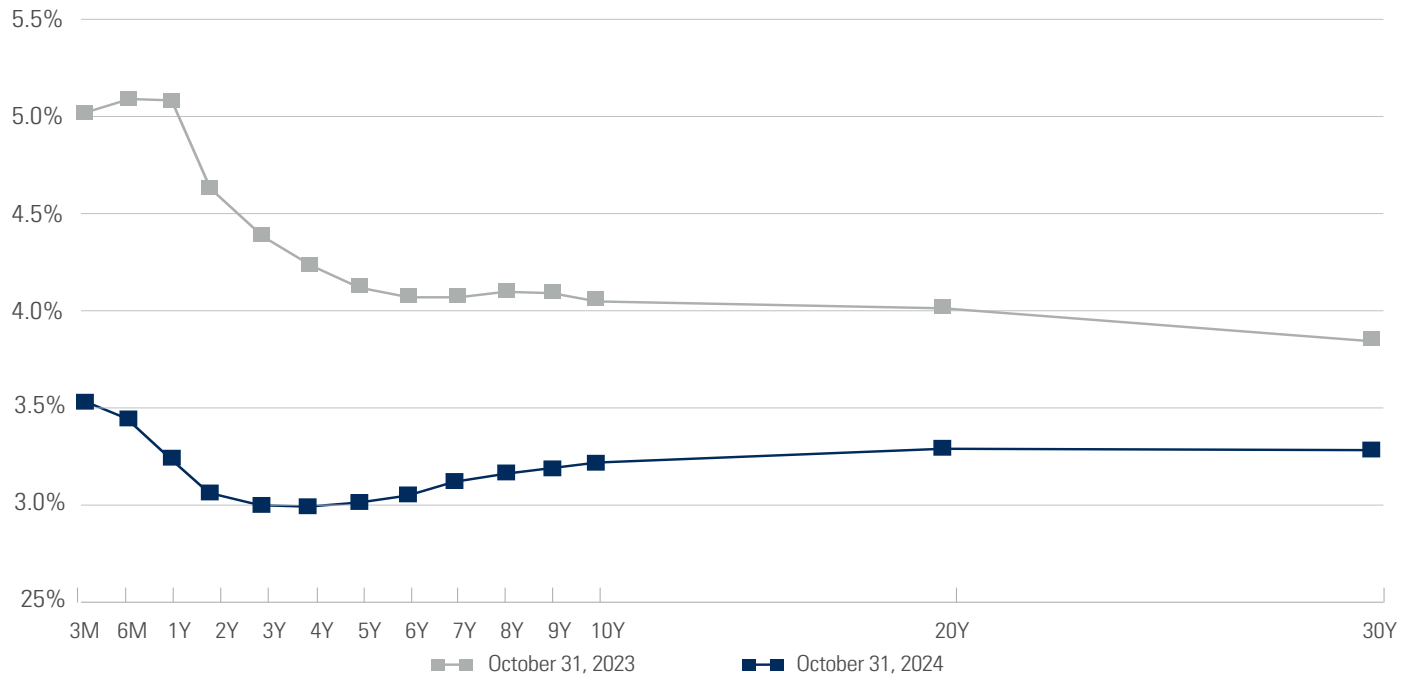
3-Year Rolling Return, January 1973 to October 2024



Source: Morningstar Direct



Canadian Sovereign Yield Curve



Source: Bloomberg.

Monthly Market Statistics

Data to October 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	0.7	4.5	11.2	15.3	28.0	4.7	7.9	13.6
S&P/TSX 60	0.4	4.7	11.1	14.3	27.6	4.5	7.9	13.4
S&P/TSX Small Cap	1.3	3.3	9.4	17.3	26.9	1.1	8.3	19.1
S&P 500	2.1	4.2	14.7	26.1	36.5	11.6	14.7	16.9
FTSE Developed ex US	-2.4	-1.1	3.8	9.5	20.3	3.5	5.0	15.9
FTSE Developed	0.8	2.7	11.3	20.6	31.5	8.6	11.3	15.8
FTSE Developed Small Cap	0.7	0.4	8.9	13.1	29.0	2.8	8.0	19.0
FTSE Developed Europe	-3.0	-1.2	3.1	9.5	20.2	4.2	5.6	18.1
FTSE Emerging	-1.4	5.6	10.1	18.4	24.3	1.4	3.4	15.2
FTSE All World Asia Pacific	-1.8	2.0	7.8	15.5	23.6	2.4	4.3	15.3

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	-1.0	1.2	6.6	3.2	11.3	-0.1	0.5	7.4
Barclays Global Agg	-3.4	0.6	4.9	0.1	9.5	-4.1	-1.6	7.2
Barclays High Yield Very Liquid Index	-0.7	2.4	6.6	6.9	16.4	2.6	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	69.26	1.6	-14.5	-11.1
Natural Gas/mmBTU	2.71	-7.4	-24.3	33.0
Copper/pound	4.34	-4.7	18.9	3.9
Silver/oz	32.80	4.3	42.9	13.3
Gold/oz	2749.30	4.3	37.9	13.3

Source: Bloomberg.

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

Sector	S&P/TSX returns	S&P 500 returns
Consumer Discretionary	0.1	1.5
Consumer Staples	-2.8	0.1
Energy	4.8	3.8
Financials	0.2	5.7
Health Care	4.6	-1.8
Industrials	-1.5	1.6
Info Tech	-0.6	2.0
Materials	3.7	-0.6
Real Estate	-6.0	-0.4
Telecom Services	-4.3	4.9
Utilities	-1.8	2.0

Source: Bloomberg.

Table 4: Economic Data

Canada	
Real GDP- Q2 (q/q ann. % change)	2.1
Consumer Prices, 09/2024 (y/y % change)	1.6
Unemployment Rate, 09/2024	6.5
United States	
Real GDP- Q3 (q/q ann. % change)	2.8
Consumer Prices, 09/2024 (y/y % change)	2.4
Unemployment Rate, 09/2024	4.1

Source: Bloomberg, Stats Canada.

Table 6: Exchange Rates

Cross	10/31/2024	6 Mos Ago	1 Yr Ago
USD/CAD	1.39	1.38	1.39
EUR/CAD	1.52	1.47	1.47
GBP/CAD	1.80	1.72	1.69
CAD/JPY	109.13	114.54	109.33

Source: Bloomberg.

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