



Monthly Market Snapshot

Monthly Overview

July 2024

Canadian stock markets mostly remained stagnant in the second quarter despite attempting to maintain the positive momentum brought on by the Bank of Canada's June rate cut, while U.S. stocks finished the quarter strongly. Despite a brief setback in April, the S&P 500 Index and Nasdaq Composite Index both reached new record highs in Q2, fueled by optimism surrounding artificial intelligence stocks.

Canada's benchmark S&P/TSX Composite Index was down 1.8% in June and posted a 1.3% loss in Q2. Nine of the benchmark's underlying sectors were negative during the quarter, led by health care with a 19.1% loss. Materials and consumer staples were the only positive sectors for the quarter, with returns of 6.9% and 3.8%, respectively. Small-cap stocks, as measured by the S&P/TSX SmallCap Index, eked out 0.2% for the quarter.

The U.S. dollar appreciated by 1.0% versus the loonie during the quarter, slightly 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 3.7% in June, and finished the quarter higher by 5.0%. Five of the benchmark's underlying sectors were in the green for this quarter, led by information technology and telecommunications, with respective returns of 14.8% and 10.2%. International stocks, as measured by the FTSE Developed ex U.S. Index, fell 0.9% during the quarter, while emerging markets rose 5.8%.

The investment grade fixed income indices we follow were mixed in Q2. Canadian investment grade bonds, as measured by the FTSE Canada Universe Bond Index, were up 0.9% during the quarter. The key global investment grade bond benchmark was down 1.1% while global high-yield issues were up 1.1%.

Turning to commodities, natural gas skyrocketed 47.5% during the quarter, while the price of a barrel of crude oil fell 2.0% in the same period. Silver, copper and gold all had a positive quarter, with respective gains of 17.3%, 9.6% and 5.5%.

Inflation in Canada ticked up in May to 2.9% year-over-year, exceeding expectations. The broad-based acceleration was led by cellular services, travel tours and rent. The Canadian economy added 27,000 jobs in May, as the nation's unemployment rate rose to 6.2%. The Canadian economy rebounded 0.3% in April after having stagnated in March, in line with economists' expectations. The Bank of Canada lowered its key interest rate to 4.75%, marking the bank's first rate cut since March 2020.

U.S. nonfarm payrolls grew by 272,000 in May, as the unemployment rate rose to 4.0%. The consumer price index increased 3.3% year-over-year in May. Higher shelter prices were partly responsible for the uptick in headline inflation. The U.S. economy slowed to a revised annualized rate of 1.4% quarter-over-quarter in Q1, as expected. The Federal Reserve kept the Fed funds rate steady at 5.25–5.50% for the seventh consecutive meeting.

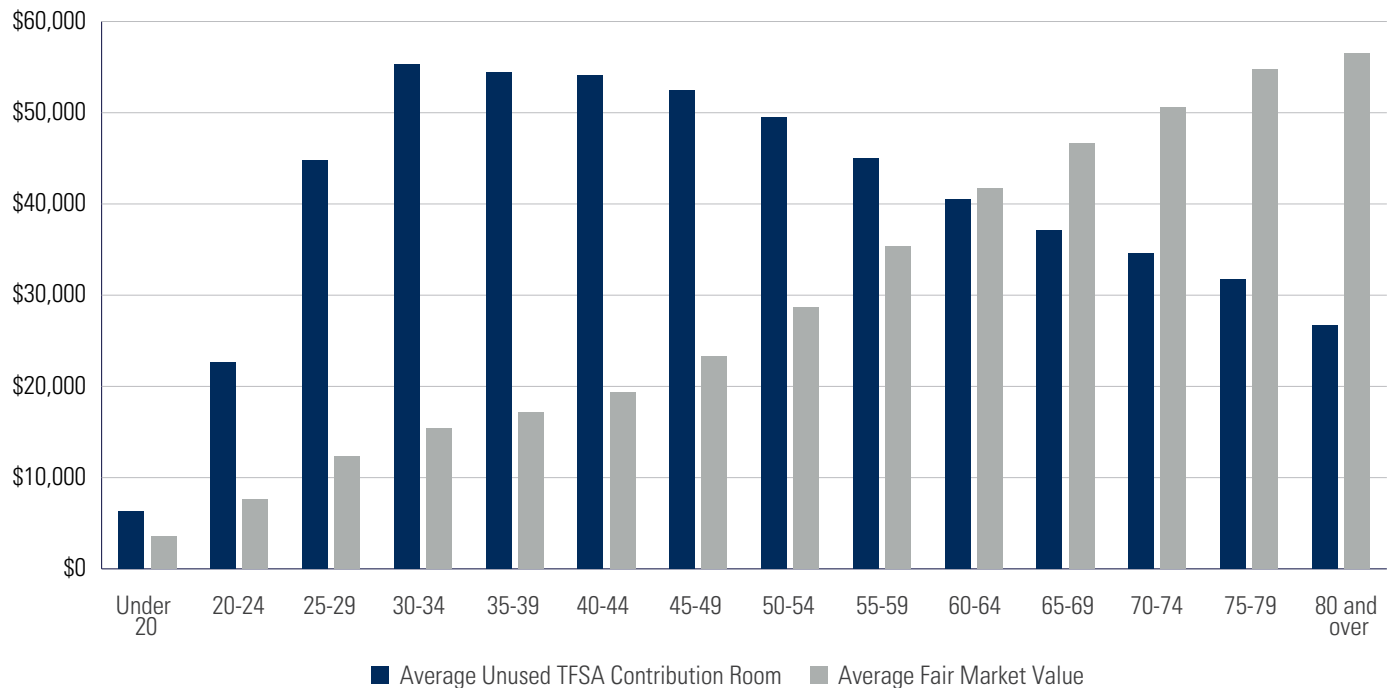
Content sourced from Bloomberg; data as at June 30, 2024.



Chart of the Month: A Missed Opportunity

Recent data from the Canada Revenue Agency show that millennials, particularly those aged 30–34, are not fully capitalizing on the benefits of TFSAs. On average, this cohort is sitting on \$55,304 in unused contribution room. This missed opportunity could reach up to \$102,000 next year for eligible investors who have never contributed. Even older Canadians are leaving a good chunk of TFSA room on the table. Granted, for some it's simply a matter of not having the ability to max out their contributions, but for those who have money to sock away the takeaway is clear: leaving TFSA room unused is a lost opportunity to build and grow tax-advantaged wealth.

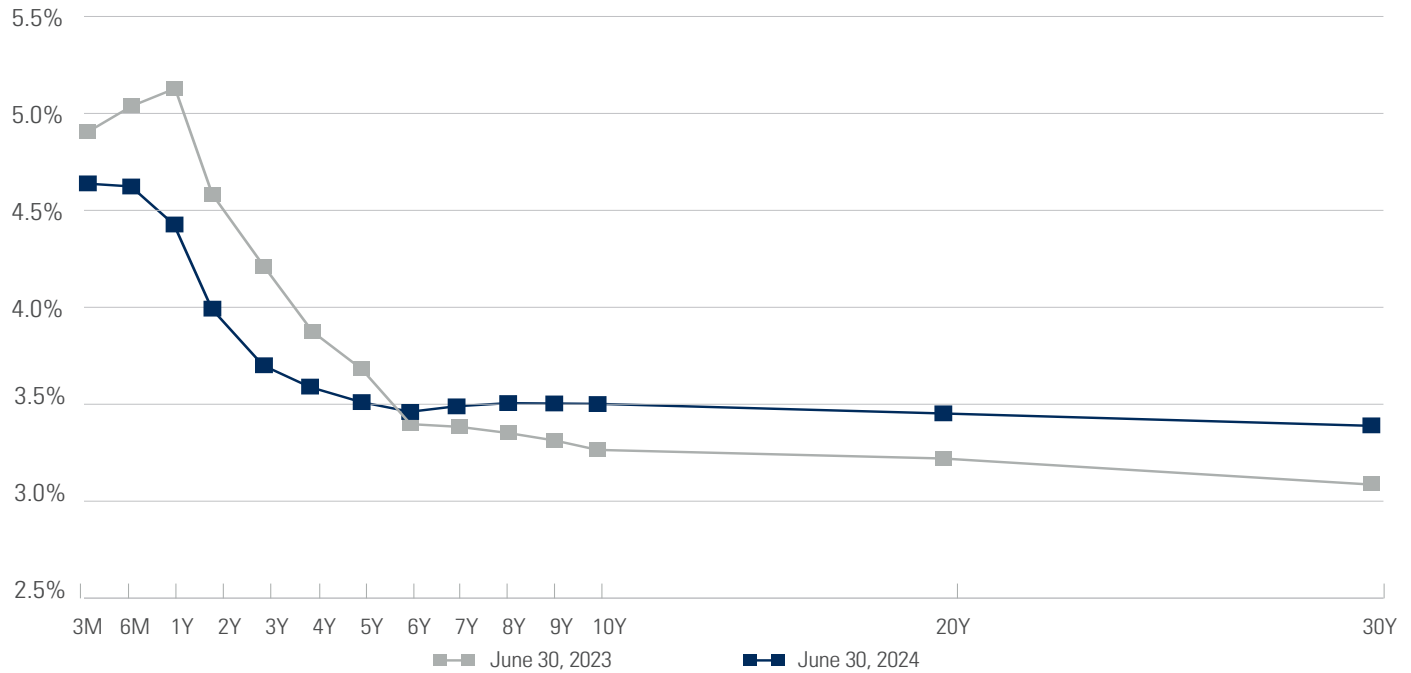
Average Unused TFSA Contribution Room vs. Average Fair Market Value By Age Cohort



Source: CRA



Canadian Sovereign Yield Curve



Source: Bloomberg.

Monthly Market Statistics

Data to June 30, 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	-1.8	-1.3	4.4	4.4	8.5	2.8	6.0	13.1
S&P/TSX 60	-2.1	-2.2	3.2	3.2	7.4	2.6	5.9	12.9
S&P/TSX Small Cap	-2.3	0.2	7.5	7.5	11.5	-1.0	5.6	18.8
S&P 500	3.7	5.0	18.5	18.5	26.8	11.9	14.2	16.5
FTSE Developed ex US	-1.3	-0.9	6.4	6.4	11.9	2.7	4.9	15.5
FTSE Developed	2.2	3.0	14.3	14.3	22.0	8.2	10.8	15.4
FTSE Developed Small Cap	-1.5	-2.3	5.8	5.8	13.3	1.3	6.8	18.8
FTSE Developed Europe	-2.2	0.1	7.3	7.3	12.6	4.3	5.5	17.8
FTSE Emerging	2.9	5.8	10.6	10.6	14.3	-3.1	2.0	15.3
FTSE All World Asia Pacific	1.9	2.7	9.8	9.8	14.3	-1.0	3.7	15.1

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	1.1	0.9	-0.4	-0.4	3.7	-1.8	-0.1	7.2
Barclays Global Agg	0.1	-1.1	-3.2	-3.2	0.9	-5.5	-2.0	6.9
Barclays High Yield Very Liquid Index	1.0	1.1	2.4	2.4	10.4	1.3	3.3	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	81.54	5.9	15.4	-2.0
Natural Gas/mmBTU	2.60	0.5	-7.0	47.5
Copper/pound	4.39	-4.6	17.4	9.6
Silver/oz	29.24	-4.0	28.2	17.3
Gold/oz	2339.60	0.7	21.3	5.5

Source: Bloomberg.

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

Sector	S&P/TSX returns	S&P 500 returns
Consumer Discretionary	-1.1	5.1
Consumer Staples	0.3	-0.3
Energy	-4.6	-1.2
Financials	-2.0	-0.8
Health Care	1.4	2.0
Industrials	0.8	-0.8
Info Tech	6.8	9.5
Materials	-4.8	-3.0
Real Estate	0.2	1.6
Telecom Services	-6.2	5.0
Utilities	-2.8	-5.5

Source: Bloomberg.

Table 4: Economic Data

Canada	
Real GDP- Q1 (q/q ann. % change)	1.7
Consumer Prices, 04/2024 (y/y % change)	2.9
Unemployment Rate, 04/2024	6.2
United States	
Real GDP- Q1 (q/q ann. % change)	1.4
Consumer Prices, 04/2024 (y/y % change)	3.3
Unemployment Rate, 04/2024	4.0

Source: Bloomberg, Stats Canada.

Table 6: Exchange Rates

Cross	05/31/2024	6 Mos Ago	1 Yr Ago
USD/CAD	1.37	1.35	1.32
EUR/CAD	1.47	1.46	1.44
GBP/CAD	1.73	1.69	1.68
CAD/JPY	117.52	106.32	109.04

Source: Bloomberg.

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