MACKENZIE Investments

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Weekly Market Snapshot

For the week ending May 3, 2024

Equities

Local currency, price only, % change

	2024-05-03	Week	QTD	YTD	1 Yr
S&P/TSX Composite	21,947	-0.1%	-1.0%	4.7%	7.8%
S&P/TSX Small Cap	752	-1.5%	-0.1%	7.2%	7.2%
S&P 500	5,128	0.5%	-2.4%	7.5%	25.4%
NASDAQ	16,156	1.4%	-1.4%	7.6%	34.4%
Russell 2000	2,036	1.7%	-4.2%	0.4%	17.0%
UK FTSE 100	8,213	0.9%	3.3%	6.2%	5.5%
Euro Stoxx 50	4,921	-1.7%	-3.2%	8.8%	14.2%
Nikkei 225	38,236	0.8%	-5.3%	14.3%	31.1%
MSCI China (USD)	60	4.1%	11.1%	8.6%	-3.7%
MSCI EM (USD)	1,061	1.9%	1.7%	3.7%	9.5%

Fixed income

Total return, % change

	2024-05-03	Week	QTD	YTD	1 Yr
FTSE Canada Universe Bond Index	1,098	1.3%	-0.9%	-2.1%	-0.1%
FTSE Canada All Corporate Bond Index	1,343	1.1%	-0.3%	-0.2%	3.5%
Bloomberg Canada High Yield Index	182	0.2%	0.2%	3.4%	11.3%

Interest rates - Canada

Change in bps

	2024-05-03	Week	QTD	YTD	1 Yr
3-month T-bill	4.92	0	-7	-12	50
GOC bonds 2 yr	4.17	-15	-1	28	62
GOC bonds 10 yr	3.65	-17	18	54	88
GOC bonds 30 yr	3.55	-14	20	52	62

Currencies and Commodities

In USD, % change

	2024-05-03	Week	QTD	YTD	1 Yr
CDN $	0.731	-0.1%	-1.1%	-3.2%	-0.5%
US Dollar Index	105.03	-0.9%	0.5%	3.6%	3.6%
Oil (West Texas)	78.11	-6.8%	-6.1%	9.0%	13.9%
Natural Gas	2.14	11.4%	7.3%	-15.0%	-33.5%
Gold	2,302	-1.5%	3.2%	11.6%	12.9%
Copper	4.56	-0.4%	12.8%	16.0%	17.7%

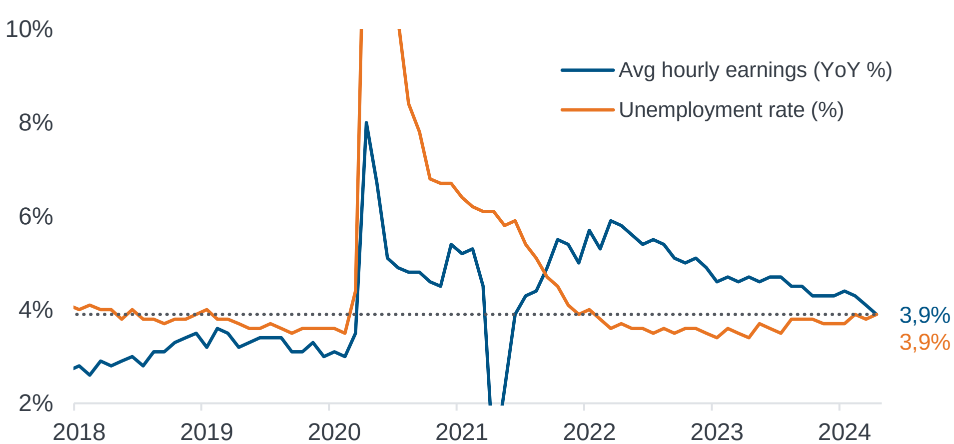
Canadian sector performance

Price return, % change

	Week	YTD
Energy	-1.9%	12.9%
Materials	-2.0%	12.0%
Industrials	-0.2%	5.8%
Cons. Disc.	-0.2%	2.5%
Info Tech	1.6%	1.5%
Health Care	0.6%	3.1%
Financials	0.6%	2.0%
Cons. Staples	-1.0%	3.0%
Comm. Services	2.3%	-10.3%
Utilities	4.3%	-2.2%
Real Estate	1.2%	-6.5%

Chart of the week: Not too hot, not too cold

US average hourly earnings vs. Unemployment rate



April's weaker-than-expected US nonfarm payrolls report, along with a higher unemployment rate and a decline in job openings, helped ease the market's angst about a potential rate hike. Nonfarm payrolls increased by 175k last month, the smallest gain in six months and a notable drop from the prior month's upwardly revised 315k gain. The household survey was even weaker (+25k), nudging the unemployment rate a tick higher to 3.9%. Meanwhile, the number of job openings continued to decline from the pandemic peak of >12 million, falling to 8.5 million at the end of March – the lowest level in three years. The one blemish from an otherwise Goldilocks-esque batch of employment data was the reacceleration in the Employment Cost Index in Q1, the Fed's preferred gauge of wage growth. However, April's average hourly earnings data cooled to the slowest pace in nearly three years at 3.9%. ***Overall, markets appear to be focused on the longer-term trend that suggests the labour market is returning to a more balanced state.*** *Global bond yields turned lower at the end of the week, as the US jobs report added to the Fed's dovish tone on Wednesday and the unexpected weakening in the ISM Services Index in April (more below). Markets continue to hold onto their higher-for-longer view, but they notably bumped up their rate cut bets to nearly two after Friday's report.* ***While we anticipate further rate volatility in the coming months amid the inflation uncertainty, we maintain the view that inflation will continue gradually lowering towards the Fed's 2% target****.*

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For the week ending May 3, 2024

Staying the course

Global equities managed to end the week in positive territory thanks to dovish remarks from Fed Chair Powell, a downside surprise in the US jobs report, and a substantial decline in oil prices, collectively pushing bond yields lower. US equities received additional support from Apple's earnings beat and announcement of the largest share buyback in history ($110 billion) The easing in bond yields supported small caps, with the Russell 2000 (+1.7%) outpacing the S&P 500 (+0.5%). Chinese equities continue climb higher, with the Hang Seng Index now up 23% from its January 22 low. The yen briefly touched USDJPY 160 for the first time since 1990, but strengthened to USDJPY 153 by the end of the week amid reports of an intervention by Japanese policymakers.

The Fed stayed the course on Wednesday, dispelling fears of a possible rate hike. The FOMC left the Fed Funds Rate target range at 5.25% to 5.50%, as anticipated. **However, the two key takeaways from the meeting leaned dovish.** The first was the more-than-expected easing in its ongoing quantitative tightening (QT) tapering. Starting June 1, the Fed will slow the pace of its balance sheet run-off by reducing the monthly redemption cap on Treasury securities from $60 billion to $25 billion, surpassing the expected $30 billion expected. **This move signals to markets that the Fed remains steadfast in supporting liquidity conditions.** The second was Chair Powell's press conference. The highlight was Powell responding that it was "unlikely" when asked about a potential rate hike. While recent inflation data will likely lead to the Committee lowering its forecasted rate cut expectations from the three forecasted in its March Summary of Economic Projections, the overall sentiment remains that rate cuts are still probable later this year.

Peripheral data beyond of the US jobs report added to the evidence that the world's largest economy is cooling. Both the Manufacturing and Services ISM Indices fell below the 50-point expansion line, with the latter registering its first sub-50 print since December 2022. Given that services activity constitutes for about two-thirds of US GDP, a sustained weakness in the ISM Services reading could spell trouble in the quarters ahead. **Moreover, there are signs that the long-awaited slowdown in consumer spending in the face of higher prices and interest rates is finally here.** First, the Conference Board Consumer Confidence Index tumbled to its lowest level since July 2022. Second, prominent restaurants such as Starbucks, McDonald's, KFC, and Pizza Hut reported disappointing earnings results while issuing poor forward guidance. Several reported declines in same-store sales this quarter, while many cited intensified competition for a shrinking pool of customers. In just a week's time, the softer data has markets abruptly shifting their expectations from a no landing scenario to a soft landing, leading to last week's sharp reversal in rates and boosting equity prices higher. **This suggests that although not imminent, rate cuts are now back on the table for the Fed.**

The week in review

- Canadian real GDP (Feb.) expanded 0.2% m/m (versus 0.3% expected), downshifting from a downwardly revised 0.5% pace in the prior month. In annual terms, real GDP is up 0.8% y/y. StatsCan's flash estimate for March came in flat.
- Canada's merchandise trade balance (Mar.) turned negative, registering at a $2.28 billion deficit (versus a $1.21 billion surplus expected), downshifting from a downwardly revised $0.48 billion surplus in the prior month. Exports dropped -5.3% m/m, while imports fell a lesser 1.2%.
- The US Federal Reserve (Fed) held the Fed Funds Rate target range steady at 5.25% to 5.50%. Notably, officials reduced the pace of its quantitative tightening (QT) program. The new run-off cap on Treasuries will be lowered to $25 billion from $60 billion starting June 1. The cap for MBS will remain at $35 billion.
- US non-farm payrolls (Apr.) rose less than expected, up 175k (versus 240k expected). There was a -22k net revision to the prior two months. The household survey was weaker, with employment rising a modest 25k (versus 352k prior). With the labour force participation rate holding steady at 62.7%, the unemployment rate ticked up to 3.9%. Average hourly earnings rose 0.2% m/m, dragging the annual pace down to 3.9% y/y.
- US JOLTS job openings (Mar.) fell to 8.49 million (versus 8.68 million expected), down from an upwardly revised 8.81 million. The quits rate fell to 2.1% (prev. 2.2%), the lowest since August 2020.
- The US Employment Cost Index (Q1) reaccelerated more than expected, increasing by 1.2% q/q (versus 1.0% expected), up from 0.9% in the prior quarter.
- US nonfarm productivity (Q1) decelerated to 0.3% q/q (versus 0.5% expected), down from an upwardly revised 3.5% in the prior quarter.
- The Eurozone unemployment rate (Mar.) held steady at 6.5%.
- Purchasing Managers Index (PMI) recap (Apr, change from prior reading in brackets): Canada S&P Manufacturing 49.4 (+0.6), S&P Services 49. (+2.9); US ISM Manufacturing 49.2 (-0.9), ISM Services 49.4 (-2.0); and China Caixin Manufacturing 51.4 (+0.0), official manufacturing 50.4 (-0.4), official non-manufacturing 51.2 (-1.8).

The week ahead

- Canadian employment report
- US Fed Senior Loan Officier Opinion Survey
- UK, Australia, and Brazil monetary policy announcements
- China trade, aggregate yuan financing, trade and inflation data
- Eurozone retail sales
- UK GDP, industrial production, and trade data
- Global PMIs
- 57 S&P 500 and 83 S&P/TSX companies report earnings