Justin Truong, CFA
Investment Strategy
justin.truong@mackenzieinvestments.com


# Weekly Market Snapshot

For the week ending October 11, 2024

## Equities

Local currency, price only, % change

| | 2024-10-11 | Week | QTD | YTD | 1Y |
|---|---|---|---|---|---|
| **S&P/TSX Composite** | 24,471 | 1.3% | 2.0% | 16.8% | 24.4% |
| **S&P/TSX Small Cap** | 833 | 1.6% | 2.5% | 18.7% | 25.0% |
| **S&P 500** | 5,815 | 1.1% | 0.9% | 21.9% | 32.9% |
| **NASDAQ** | 18,343 | 1.1% | 0.8% | 22.2% | 34.3% |
| **Russell 2000** | 2,234 | 1.0% | 0.2% | 10.2% | 26.0% |
| **UK FTSE 100** | 8,254 | -0.3% | 0.2% | 6.7% | 8.3% |
| **Euro Stoxx 50** | 5,004 | 1.0% | 0.1% | 10.7% | 19.1% |
| **Nikkei 225** | 39,606 | 2.5% | 4.4% | 18.4% | 24.0% |
| **MSCI China (USD)** | 70 | -7.0% | -0.2% | 25.8% | 19.9% |
| **MSCI EM (USD)** | 1,160 | -1.7% | -1.0% | 13.3% | 21.2% |

## Fixed income

Total return, % change

| | 2024-10-11 | Week | QTD | YTD | 1Y |
|---|---|---|---|---|---|
| **FTSE Canada Universe Bond** | 1,152 | 0.1% | -1.5% | 2.7% | 10.3% |
| **FTSE Canada All Corporate Bond** | 1,411 | 0.2% | -1.0% | 4.9% | 12.2% |
| **Bloomberg Canada High Yield** | 188 | 0.0% | -0.1% | 7.0% | 13.7% |

## Interest rates - Canada

Change in bps

| | 2024-10-11 | Week | QTD | YTD | 1Y |
|---|---|---|---|---|---|
| **3-month T-bill** | 3.81 | -10 | -15 | -123 | -122 |
| **GoC bonds 2 yr** | 3.07 | -16 | 16 | -81 | -167 |
| **GoC bonds 10 yr** | 3.22 | 2 | 26 | 11 | -70 |
| **GoC bonds 30 yr** | 3.36 | 3 | 22 | 32 | -31 |

## Currencies and Commodities

In USD, % change

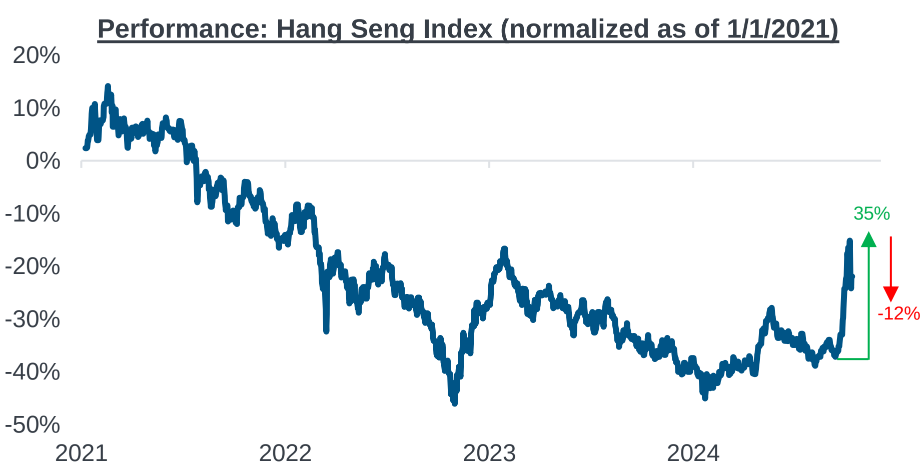
| | 2024-10-11 | Week | QTD | YTD | 1Y |
|---|---|---|---|---|---|
| **CADUSD** | 0.727 | -1.3% | -1.7% | -3.8% | -1.2% |
| **US Dollar Index** | 102.89 | 0.4% | 2.1% | 1.5% | -2.8% |
| **Oil (West Texas)** | 75.56 | 1.6% | 10.8% | 5.5% | -9.5% |
| **Natural Gas** | 2.63 | -7.8% | -10.0% | -14.8% | -32.7% |
| **Gold** | 2,657 | 0.1% | 0.8% | 28.8% | 41.7% |
| **Copper** | 4.49 | -1.8% | -1.3% | 13.7% | 21.1% |

## Canadian sector performance

Price return, % change

| | Week | YTD |
|---|---|---|
| **Energy** | 2.3% | 21.4% |
| **Materials** | 1.5% | 28.1% |
| **Industrials** | 2.8% | 10.9% |
| **Cons. Disc.** | 1.8% | 11.0% |
| **Info Tech** | 2.6% | 17.1% |
| **Health Care** | -1.7% | 7.3% |
| **Financials** | 0.4% | 18.9% |
| **Cons. Staples** | 0.0% | 11.3% |
| **Comm. Services** | -0.2% | -9.7% |
| **Utilities** | -1.5% | 8.1% |
| **Real Estate** | -2.1% | 4.3% |

## Chart of the week: Still waiting for China's “bazooka” moment




*Markets will have to exude further patience for China’s “bazooka” stimulus moment, after China’s Ministry of Finance (MoF) fiscal press conference fell far short of market expectations. Recall, the recent surge in Chinese equities was fueled by hopes that policymakers would finally cave and deliver big fiscal spending, reminiscent of what we saw in the wake of the GFC, to address the prolonged weakness in the domestic economy (local government debt, consumer and property).* ***Analysts had anticipated 2-3 trillion Chinese yuan in fresh fiscal spending, but the MoF’s guidance underwhelmed in scope and detail****. The announcement focused on easing local government debt burdens and supporting the struggling property sector by enabling special local government bonds to finance the purchase of unsold homes. The MoF also committed to assisting banks in replenishing capital after suffering losses from developer defaults and hinted that there remains “large” room for fiscal deficit expansion. While these measures reaffirm the government’s pro-growth stance, the lack of concrete details is sure to disappoint markets. Encouragingly, policymakers may reveal more at the National People’s Congress Standing Committee meeting in late October, but for now, the announcement reinforces their patient, measured approach designed to avoid the speculative reflation cycle that contributed to today’s immense debt burdens and unproductive infrastructure spending. Markets, however, are unlikely to react favourably until more clarity is provided.* ***Following the initial rally, Chinese equities have given back a sizeable portion of their gains and further volatility is likely until policymakers offer more tangible details.***

MACKENZIE Investments

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## Rate cut galore? Not so fast

Global equities raced to fresh all-time highs despite another jump in bond yields amid an unexpectedly hot US CPI report. Gains continue to be broadbased, with Canadian equities continuing their impressive run. The gap between the TSX and the S&P 500 has narrowed to just ~5% YTD after trailing by 10% at the midpoint of this year. Also supporting stocks was an impressive start to Q3 earnings, kicked off by strong showings from JPMorgan and Wells Fargo.

**The Fed may need to postpone declaring victory over inflation** after US CPI came in hotter than expected in September. Headline CPI rose 0.2% m/m (2.4% y/y), and core CPI increased 0.3% m/m (3.3% y/y), marking the first annual increase in core inflation in 18 months. This was the second consecutive upside surprise in core CPI, raising concerns that the Fed made a policy mistake by aggressively cutting rates by 50 bps last month. The details of the report were somewhat troubling. Clothing prices surged (+1.1%), while food (+0.4%) and auto prices, which had been largely dormant for much of the year, perked up in the month. Services saw broad gains, with increases in auto insurance (+1.2%), airfares (+3.2%) and medical care (+0.7%), keeping the supercore measure ( services less energy and rents) at an elevated 4.3% y/y. The pickup in prices comes despite disinflationary tailwinds from falling energy prices (-0.8%) and easing shelter prices. On a three-month annualized basis, core consumer prices have reaccelerated to 3.1% from 2.1% in the prior month—an unwelcome development following the Fed's bold move last month. **While the Fed's next decision on Nov. 7 still hinges on the October job report, slated to be released a week prior, the most likely scenario at this juncture is for the Fed to deliver a 25 bps cut.** This aligns with the latest Fed Minutes, which revealed that several members preferred a more modest move last month.

**Canadian employment surged in September,** reducing the likelihood of the Bank of Canada following in the Fed's footsteps by delivering its own outsized 50 bps cut later this month. The economy added 47k jobs last month, up from 22.1k in August and far exceeding the consensus estimate of 27k. The details of the report were also strong. All the gains came from full-time employment (+112k), as part-time employment fell (-44k). In addition, private sector payrolls surged 61.2k. Meanwhile, the labour force participation rate fell two ticks to 64.9%. **With employment growing faster than the labour force, the unemployment rate slipped to 6.5% from 6.6%.** Overall, the September report contrasts with the recent weakening trend in Canada's job market, potentially giving the BoC reason to hold back on growing calls for a 50 bps cut. However, officials may still lean toward a larger cut, given the inherent volatility of Canadian employment data and the overwhelming evidence of a softening labour market. Even within this solid report, there were pockets of softness, such as a drop in aggregate hours worked and a slowdown in wage growth to 4.5% y/y from 4.9% in August. **While we maintain our view that the BoC will opt for a more cautious approach with a 25 bps cut, the anticipated decline in consumer prices in September due to the sharp pullback in oil prices—likely bringing headline CPI below 2%—could tip the scale back toward a larger cut at the October 23 meeting.**

## The week in review

- US CPI inflation (Sept.) rose 0.2% m/m (versus 0.1% expected), lowering the annual pace to 2.4% y/y from 2.5% in the prior month. Core consumer prices rose 0.3% (versus 0.2% expected), raising the annual pace to 3.3% y/y from 3.2%. PPI inflation was flat m/m (versus 0.1% expected), lowering the annual pace to 1.8% y/y from a downwardly revised 1.9% in the prior month.
- Canadian employment (Sept.) rose 46.7k (versus 27.0k expected), after the prior month's 22.1k increase. Adding to the strength, the gains were all concentrated in full-time employment (+112k), as part-time employment fell (-65.3k). Coupled with The participation rate falling two ticks to 64.9%, the unemployment rate improved to 6.5% from 6.6% in the prior month. The hourly wage rate for permanent employees decelerated sharply to 4.5% y/y from 4.9% in the prior month.
- Canada's merchandise trade deficit (Aug.) expanded to $1.1 billion from a revised $0.29 billion in the prior month, marking the sixth straight month in the red. Exports fell -1.0% m/m while imports rose 0.3%.
- The Bank of Canada Q3 Business Outlook Survey indicated ongoing softness, with the indicator remaining negative at -2.31 (prev. -2.88). The Survey of Consumer Expectations highlighted easing inflation concerns and a cooling labour market.
- US Fed Minutes from the September 17-18 meeting revealed that some officials preferred a smaller 25 bps cut, indicating that the eventual 50 bps move was not in line with their intended approach to lower rates gradually.
- Eurozone retail sales (Aug.) rose 0.2% (in line with expectations), after the prior month's downwardly revised flat reading. Sales have risen 0.8% y/y over the past year.
- UK real GDP (Aug.) rose 0.2% mm (in line with expectations), after being flat in the prior month. On a three-month over three-month basis, GDP has risen 0.2%.
- Chinese CPI inflation (Sept.) decelerated to 0.4% y/y (versus 0.6% expected), down from 0.6% in the prior month. PPI inflation fell deeper into negative territory at -2.8% y/y (prev. -1.8%).
- The Reserve Bank of New Zealand reduced rates by an outsized 50 bps, lowering the official cash rate to 4.75%
- The Reserve Bank of India held rates steady at 4.5%

## The week ahead

- Canadian CPI and housing data
- US retail sales, industrial production, and housing data
- ECB monetary policy announcement
- Chinese GDP, CPI, trade, industrial production, and retail sales data
- Chinese aggregate yuan financing data
- Japanese CPI and trade data
- Eurozone CPI, trade, and industrial production data
- UK retail sales data
- 44 S&P 500 and 1 S&P/TSX companies report earnings

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