MACKENZIE
Investments

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Weekly Market Snapshot

For the week ending April 12, 2024

Equities

Local currency, price only, % change

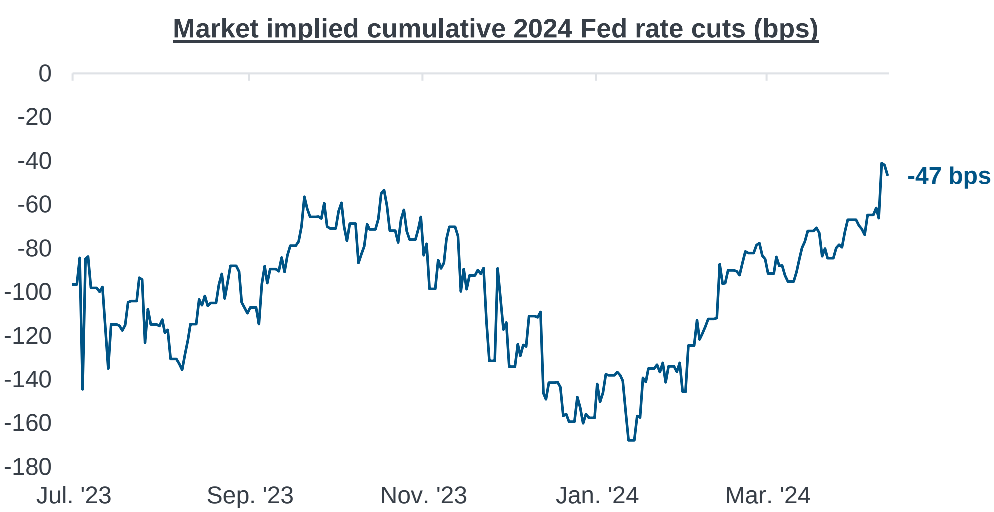
	2024-04-12	Week	QTD	YTD	1 Yr
S&P/TSX Composite	21,900	-1.6%	-1.2%	4.5%	7.1%
S&P/TSX Small Cap	763	-1.4%	1.4%	8.7%	5.9%
S&P 500	5,123	-1.6%	-2.5%	7.4%	25.2%
NASDAQ	16,175	-0.5%	-1.2%	7.8%	35.6%
Russell 2000	2,003	-2.9%	-5.7%	-1.2%	12.9%
UK FTSE 100	7,996	1.1%	0.5%	3.4%	2.2%
Euro Stoxx 50	4,955	-1.2%	-2.5%	9.6%	14.3%
Nikkei 225	39,524	1.4%	-2.1%	18.1%	40.7%
MSCI China (USD)	54	-0.2%	0.5%	-1.8%	-16.8%
MSCI EM (USD)	1,042	-0.4%	-0.1%	1.8%	4.8%

Fixed income

Total return, % change

	2024-04-12	Week	QTD	YTD	1 Yr
FTSE Canada Universe Bond Index	1,095	-0.3%	-1.1%	-2.3%	0.7%
FTSE Canada All Corporate Bond Index	1,337	-0.1%	-0.7%	-0.6%	4.3%
Bloomberg Canada High Yield Index	181	-0.2%	0.0%	3.2%	11.0%

Chart of the week: June Fed rate cut eclipse



Interest rates - Canada

Change in bps

	2024-04-12	Week	QTD	YTD	1 Yr
3-month T-bill	4.90	-5	-9	-14	56
GOC bonds 2 yr	4.17	-4	0	29	41
GOC bonds 10 yr	3.65	6	18	54	77
GOC bonds 30 yr	3.55	3	19	52	56

Currencies and Commodities

In USD, % change

	2024-04-12	Week	QTD	YTD	1 Yr
CDN $	0.726	-1.3%	-1.7%	-3.9%	-2.4%
US Dollar Index	106.04	1.7%	1.5%	4.6%	4.5%
Oil (West Texas)	85.66	-1.4%	3.0%	19.6%	2.9%
Natural Gas	1.77	-0.8%	0.4%	-25.3%	-42.3%
Gold	2,344	0.6%	5.1%	13.6%	16.3%
Copper	4.26	0.5%	6.3%	9.0%	4.5%

Canadian sector performance

Price return, % change

	Week	YTD
Energy	-1.4%	13.9%
Materials	0.6%	11.7%
Industrials	-0.3%	9.2%
Cons. Disc.	-2.8%	1.0%
Info Tech	-3.6%	-0.7%
Health Care	-12.3%	4.0%
Financials	-2.4%	1.2%
Cons. Staples	-1.0%	0.9%
Comm. Services	-0.9%	-12.3%
Utilities	-2.9%	-7.5%
Real Estate	-1.8%	-6.2%

While last week's total eclipse captured the imagination of many across North America, for financial markets, it was yet another hot US CPI print eclipsing the Fed's ability to cut rates in the near-term that remains top of mind. US consumer prices jumped 0.4% m/m for the second consecutive month in March, ***cementing concerns that the fight against inflation is far from over.*** *After troughing at a 3.1% y/y in January (down from the cycle high of 9.1% in June 2022), the disinflationary trend that has catapulted markets to new all-time highs appears to be losing steam, as the annual pace has reaccelerated to 3.5% y/y. Equally concerning were core consumer prices matching the 0.4% m/m gain seen in the headline number, which held the annual pace at a stubborn 3.8% y/y. The details of the report offered little room for optimism, underscored by a sharp reacceleration in the supercore measure (services excluding shelter) to 4.8% y/y. Most of the upward surprise came from car maintenance and insurance costs, which will likely remain elevated in the months ahead to reflect significantly higher car prices over recent years. Moreover, shelter prices remained sticky (+0.4%), while energy prices (+1.1%), which has been a key factor in bringing inflation down to current levels, has flipped positive for the second consecutive month. Bond yields rose sharply after the report, pushing the yields on 2-year and 10-year Treasuries to 4.5% and 4.9%, respectively,* ***as markets reduced their expectation for a June rate cut to just 25%*** *(markets were fully pricing in a 25 bps cut at the beginning of February). This surge in yields weighed on equity markets, particularly affecting interest rate sensitive small caps, which saw the steepest declines last week.* ***While we maintain our view of a soft landing, we reiterate that the key risk to our call is the inability for central bankers to gradually reduce interest rates due to sticky inflation, a scenario that would likely result in a contraction in equity multiples.***

October redux?

Global equities fell amid another hot US CPI print triggering another sharp move higher for bond yields. Notably, higher yields failed to attract buyers at last week's US Treasury auctions, eliciting fears of an October redux when the US 10-year breached the 5% level. The declines were seen broadly, but the S&P/TSX, buoyed by consistent strength in the energy and material sectors, was able to mitigate the steeper losses seen elsewhere. Geopolitical tensions escalated over the weekend as Iran reportedly launched hundreds of missiles towards Israel in retaliation for the prior week's attack on its embassy in Syria. Although virtually all of the Iranian missiles were intercepted, the market's attention is now riveted on Israel's potential response. For the time being, spot WTI prices remain stable around $85/bbl.

The US big banks kicked off Q1 earnings season with mixed results. While JPMorgan (JPM), Wells Fargo and Citigroup all surpassed analyst earnings estimates, disappointing net interest income (NII) results and forward guidance from the JPM weighed on sentiment. The US' largest bank posted its first quarterly NII decline in eleven quarters. Also contributing to the negative sentiment was a 13% rise in costs in Q1, deposit margin compression, and JPM's CEO Jamie Dimon reiterating his concerns that inflation could be stickier than markets expect. He also cited the many uncertainties facing the global economy, including escalating geopolitical tensions. Wells Fargo also missed their NII estimates, while Citigroup beat. US bank stocks were lower across the board as markets await results from Bank of America, Morgan Stanley and Goldman Sachs this week.

The European Central Bank and the Bank of Canada expectedly held rates for the fifth and sixth consecutive meeting, respectively. While policymakers continue to reiterate that more confidence is needed that inflation is clearly on a path towards their 2% target, there has been a noticeable dovish shift in guidance. When questioned about the possibility of a June cut, BoC Governor Macklem notably answered "yes". Meanwhile, ECB Governor Lagarde reaffirmed its well-telegraphed expectation to deliver its first cut in June, with policymakers broadly confirming that recent inflation data has come in line with its medium-term outlook. These developments suggest a divergence in policy direction of global central banks is set to unfold, with non-US central banks likely to cut rates ahead of the Fed due to more favourable inflation trends and more prominent signs of deteriorating labour markets.

Looking ahead, next week's focus will shift to the March Canadian CPI report, which will provide major clues on whether the BoC will proceed with a rate cut in June.

The week in review

- The Bank of Canada (BoC) held overnight rates steady at 5.00% for the sixth consecutive meeting.
- The European Central Bank (ECB) held their benchmark interest rates steady. However, the statement and guidance was dovish, opening the door for a potential June rate cut.
- Canadian existing home sales (Mar.) rose 0.5% m/m (or 1.7% y/y) seasonally adjusted after the prior month's -3.1% m/m decline.
- US CPI inflation (Mar.) rose 0.4% m/m (versus 0.3% expected), raising the annual pace to 3.5% y/y from 3.2% in the prior month. Core consumer prices came in equally hot at 0.4% m/m (versus 0.3% expected), keeping the annual pace at 3.8% y/y. PPI inflation (Mar.) rose 0.2% (versus 0.3% expected), bringing the annual pace to 2.1% y/y from 1.6% in the prior month.
- The Minutes from the FOMC March meeting highlighted the uncertainty on growth and inflation, particularly the pickup in the latter to start the year.
- China's aggregate yuan financing (Mar.) accelerated to ¥12.93 trillion from ¥8.06 trillion in the prior month. New loans rose to 9.46 trillion from ¥8.06 trillion. M2 Money Supply (Mar.) decelerated slightly to 8.3% y/y (versus 8.7% expected), down from 8.7% in the prior month.
- Chinese CPI inflation (Mar., y/y) decelerated to 0.1% (versus 0.4% expected), down from 0.7% in the prior month. PPI inflation (Mar., y/y) declined -2.8% (in line with expectations), from -2.7% in the prior month.
- Chinese trade surplus (Mar., US$ terms) widened to US$758.55 billion (versus US$69.10 billion expected), up from US$39.71 billion in the prior month. Chinese exports dropped sharply -7.5% y/y (versus -1.9% expected), down from 5.6% in the prior month.
- UK real GDP (Feb., m/m) expanded 0.1% (in line with expectations), after the prior month's upwardly revised 0.3% advance.
- UK industrial production (Feb.) rose 0.1% m/m (versus 0.0% expected), bringing the annual pace to 1.4% y/y.

The week ahead

- Canadian inflation data
- Canada's Federal Budget report
- US retail sales, housing, and industrial production data
- Chinese GDP, retail sales, industrial production and fixed asset investment data
- Eurozone industrial production, trade, and inflation data
- UK inflation, employment, and retail sales data
- G20 Finance Ministers and Central Bankers meeting
- 41 S&P 500 and 1 S&P/TSX companies report earnings

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