



Monthly Market Snapshot

Monthly Overview

June 2024

Stocks rebounded in May across Canada and the U.S. as strong earnings numbers eased investor fears about inflation and potentially delayed interest rate cuts. The S&P/TSX Composite Index rose, but experienced volatility due to commodity prices. In the U.S., technology stocks pushed major equity indices to new all-time highs during the month, with more than half of the S&P 500 Index's gains coming from four mega tech stocks. Elsewhere, the European Central Bank is expected to announce its first interest rate cut since 2019.

Canada's benchmark S&P/TSX Composite Index gained 2.6% in May, as nine of the benchmark's underlying sectors were positive during the month. The gain was led by materials and utilities names, with gains of 6.1% and 5.6%, respectively. Healthcare and information technology were the only detractors, with losses of 15.6% and 6.2%, respectively. Small-cap stocks, as measured by the S&P/TSX SmallCap Index, rose 2.5% in May.

The U.S. dollar depreciated by 1.1% versus the loonie during the month, hindering 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 3.9% in May. Information technology and utilities saw the month's largest increases, gaining 9.1% and 7.6%, respectively. Energy and consumer discretionary were the only sectors in the red, falling 1.8% and 0.6%, respectively. International stocks, as measured by the FTSE Developed ex US, gained 2.1% during the period, while emerging market stocks were flat.

The investment grade fixed income indices we follow were up in May. Canadian investment grade bonds, as measured by the FTSE Canada Universe Bond Index, gained 1.8% for the month while the key global investment grade bond benchmark rose 1.3%. Global high-yield issues gained 1.1%.

Turning to commodities, natural gas rallied 29.9% during the month, while the price of a barrel of crude oil fell 6.0%. Silver, gold and copper all had a positive month, with respective gains of 15.3%, 0.9% and 0.8%.

Inflation in Canada moved lower in April to 2.7% year-over-year, matching expectations. The broad-based deceleration was led by food prices, services and durable goods. The Canadian economy added 90,000 jobs in April, as the nation's unemployment rate stayed flat at 6.1%. The Bank of Canada will announce its interest rates decision on June 5, amid speculation the central bank will deliver its first rate cut in more than four years.

U.S. nonfarm payrolls grew by 175,000 in April, as the unemployment rate rose to 3.9%. The consumer price index increased 3.4% year-over-year in April. Higher gasoline prices were partly responsible for the uptick in headline inflation. The U.S. economy slowed to an annualized rate of 1.3% quarter-over-quarter in Q1, below expectations. In a speech to the Foreign Bankers' Association in May, Federal Reserve Chair Jerome Powell said the Federal Open Market Committee never anticipated the path to 2% inflation would be easy.

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



Chart of the Month: Rate Relief in Sight?

This month's chart shows the magnitude of mortgage renewals Canadians will face over the next few years. The rate on many of the loans extended in 2020 and 2021 would have been under 2%, so those seeing their loans come to the end of their five-year term in the coming years will see a significantly higher portion of their household budget get allocated to their mortgage if rates remain elevated. According to the CMHC, monthly mortgage rates could increase by 40% or more, meaning consumers will have less to spend elsewhere. Think of this as a real-life example of how the rate environment can impact the economy. On a more positive note, economic prints point to easing inflation risks, which could lead to interest rate cuts from the Bank of Canada. In anticipation of this, discounts on fixed-term mortgages are increasing and shorter mortgage terms are becoming more popular. The Canadian economy is not yet out of the woods, but there is optimism that potential future rate cuts by the Bank of Canada could gradually alleviate the strain on household budgets.

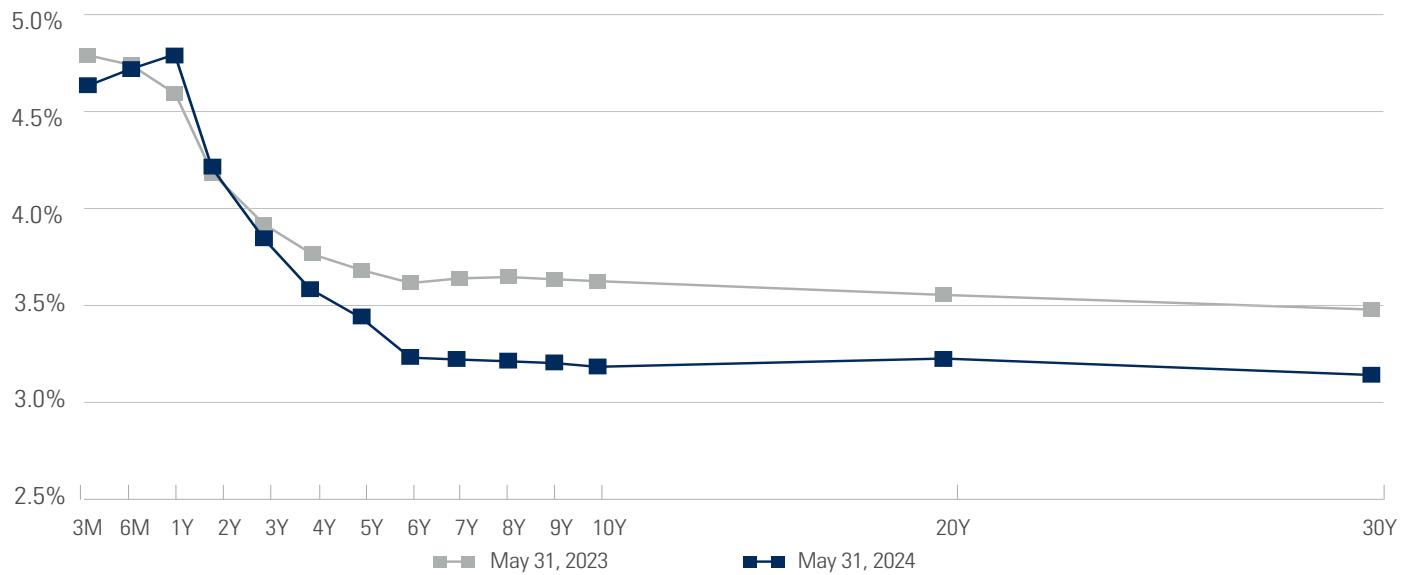
Estimated Residential Mortgages Up for Renewal at Canadian Chartered Banks



Source: RBC Economics, CMHC



Canadian Sovereign Yield Curve



Source: Bloomberg.

Monthly Market Statistics

Data to May 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	2.6	4.2	10.0	6.3	13.8	4.1	6.8	13.1
S&P/TSX 60	2.4	3.3	9.3	5.4	13.3	4.1	6.7	12.9
S&P/TSX Small Cap	2.5	9.8	13.7	9.9	14.3	-0.2	6.9	18.9
S&P 500	3.9	4.1	16.0	14.3	26.6	12.3	14.1	16.5
FTSE Developed ex US	2.1	3.2	10.4	7.7	14.9	3.7	5.6	15.5
FTSE Developed	3.3	3.6	14.0	11.9	22.7	8.9	11.0	15.5
FTSE Developed Small Cap	3.4	3.1	14.2	7.4	19.8	2.8	7.7	18.8
FTSE Developed Europe	3.3	5.5	12.0	9.7	17.2	5.5	6.6	17.8
FTSE Emerging	0.0	4.4	8.3	7.5	11.7	-3.3	1.7	15.4
FTSE All World Asia Pacific	0.6	2.7	9.4	7.7	12.4	-0.8	3.7	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	1.8	0.2	1.9	-1.5	2.6	-1.8	-0.1	7.2
Barclays Global Agg	1.3	-0.7	0.7	-3.3	0.8	-5.8	-1.6	6.9
Barclays High Yield Very Liquid Index	1.1	1.3	5.4	1.4	11.3	1.4	3.7	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	76.99	-6.0	13.1	-1.6
Natural Gas/mmBTU	2.59	29.9	14.2	39.1
Copper/pound	4.60	0.8	26.5	20.0
Silver/oz	30.44	15.3	29.1	34.3
Gold/oz	2322.90	0.9	18.3	13.1

Source: Bloomberg.

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

Sector	S&P/TSX returns	S&P 500 returns
Consumer Discretionary	0.1	-0.6
Consumer Staples	4.3	1.5
Energy	3.3	-1.8
Financials	3.4	2.2
Health Care	-15.6	1.4
Industrials	1.8	0.6
Info Tech	-6.2	9.1
Materials	6.1	2.2
Real Estate	0.2	4.1
Telecom Services	3.0	5.7
Utilities	5.6	7.6

Source: Bloomberg.

Table 4: Economic Data

Canada	
Real GDP- Q1 (q/q ann. % change)	1.7
Consumer Prices, 04/2024 (y/y % change)	2.7
Unemployment Rate, 04/2024	6.1
United States	
Real GDP- Q1 (q/q ann. % change)	1.3
Consumer Prices, 04/2024 (y/y % change)	3.4
Unemployment Rate, 04/2024	3.9

Source: Bloomberg, Stats Canada.

Table 6: Exchange Rates

Cross	05/31/2024	6 Mos Ago	1 Yr Ago
USD/CAD	1.36	1.36	1.36
EUR/CAD	1.48	1.48	1.45
GBP/CAD	1.74	1.71	1.69
CAD/JPY	115.44	109.28	102.66

Source: Bloomberg.

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