



Monthly Market Snapshot

Monthly Overview

August 2024

Stocks experienced a bit of turbulence in July, but despite this, North American market indices were higher for the month, and the S&P/TSX Composite Index reached an all-time closing high on July 31. Commodity names and higher-yielding stocks were the catalysts there. Q2 earnings began rolling in during July and investors were underwhelmed by the releases from the “Magnificent Seven,” putting the tech sector under pressure for most of the month. Softer inflation and labour market data heightened the likelihood that the Federal Reserve will soon join the Bank of Canada, Bank of England, and the European Central Bank in cutting rates.

Canada’s benchmark S&P/TSX Composite Index was 5.6% higher in July, as all the underlying sectors in the index were positive during the month, led by a 10.6% gain for the real estate sector. Information technology was the worst-performing sector, but still managed a 2.5% gain. Small-cap stocks, as measured by the S&P/TSX SmallCap Index, rose 5.7% for the month.

The U.S. dollar appreciated by 0.2% versus the loonie during the quarter, increasing 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, posted a 2.1% gain in July. Nine of the benchmark’s underlying sectors were in the green in July, with real estate and utilities leading the benchmark’s gain, rising 8.2% and 7.8%, respectively. International stocks, as measured by the FTSE Developed ex-US Index, gained 4.2% during the month, while emerging markets rose 5.2%.

Canadian investment grade bonds, as measured by the FTSE Canada Universe Bond Index, increased by 2.4% during the month, while the key global investment grade bond benchmark rose 2.8%. Global high-yield issues gained 1.9%.

Turning to commodities, natural gas prices fell 21.7% during the month, while the price of a barrel of crude oil fell 4.5%. Gold had a positive month, gaining 3.7%, while copper and silver fell 4.9% and 1.0%, respectively.

Inflation in Canada rose to 2.7% year-over-year in June, down from a 2.9% gain in May, led by slower year-over-year growth in gasoline prices. The Canadian economy subtracted 1,400 jobs in June, as the nation’s unemployment rate was virtually unchanged at 6.2%. In July, the Bank of Canada lowered its key interest rate to 4.5%, marking the bank’s second rate cut after the initial cut on June 5.

U.S. nonfarm payrolls grew by 206,000 in June, but the unemployment rate rose to 4.1%. The consumer price index increased 3% year-over-year in June. The U.S. economy increased to an annualized rate of 2.8% quarter-over-quarter in Q1, as expected. At its July meeting, the Federal Reserve left its benchmark interest rate unchanged at 5.25–5.5%.

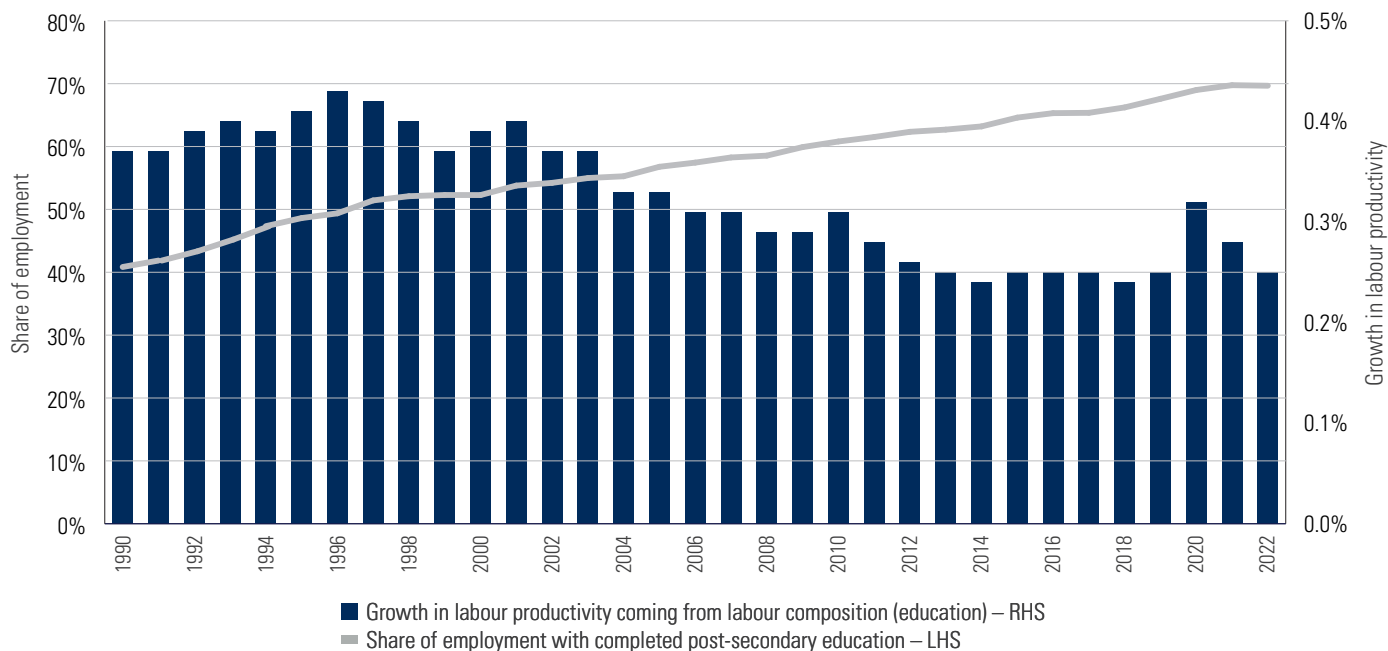
Content sourced from Bloomberg; data as at July 31, 2024.



Chart of the Month: Untapped Talent Stifling Productivity

The share of the Canadian workforce with a post-secondary education has never been higher, and as service-oriented industries are an ever-growing part of the global economy, one would think that Canada would be well-positioned given its highly educated workforce. Unfortunately, that does not appear to be the case, as research from RBC Economics indicates that Canadian labour productivity has been trending lower since the turn of the century. More effectively tapping into this talented workforce will be crucial if Canada is to address its labour productivity stagnation issue.

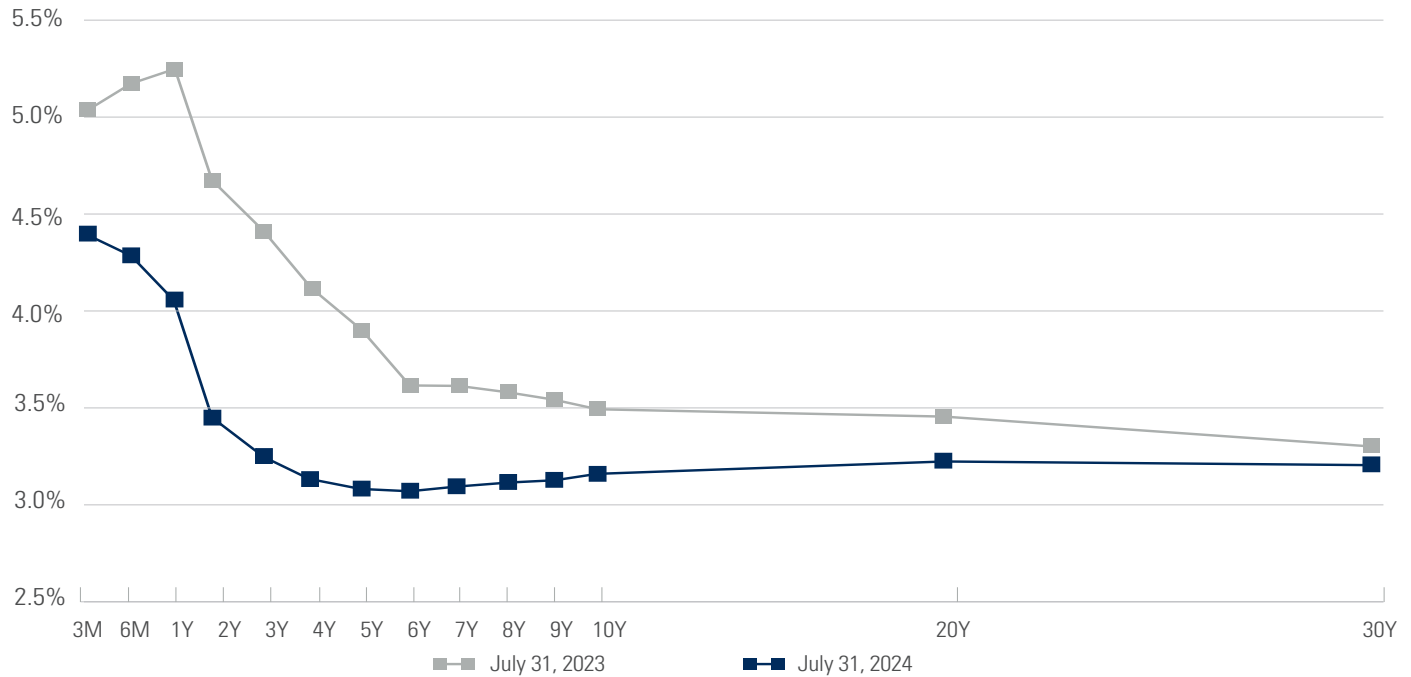
Higher Education Spending Is Not Leading to Higher Productivity



Source: Stats Canada, RBC Economics



Canadian Sovereign Yield Curve



Source: Bloomberg.

Monthly Market Statistics

Data to July 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	5.6	6.4	9.9	10.3	12.0	4.4	7.1	13.3
S&P/TSX 60	5.8	6.1	8.9	9.2	11.6	4.3	7.1	13.1
S&P/TSX Small Cap	5.7	5.9	14.1	13.6	11.2	1.8	6.1	18.8
S&P 500	2.1	10.1	17.5	21.0	26.2	11.6	14.2	16.5
FTSE Developed ex US	4.2	5.0	9.5	10.8	13.3	3.8	5.9	15.6
FTSE Developed	2.8	8.4	14.7	17.5	21.9	8.5	11.2	15.5
FTSE Developed Small Cap	6.6	8.5	14.3	12.7	15.4	3.4	7.9	18.8
FTSE Developed Europe	3.3	4.4	9.6	10.8	13.3	4.6	6.5	17.9
FTSE Emerging	1.3	4.3	14.7	12.1	10.1	-0.5	2.4	15.4
FTSE All World Asia Pacific	3.1	5.7	13.4	13.2	13.3	1.5	4.5	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	1.1	0.9	-0.4	-0.4	3.7	-1.8	-0.1	7.2
Barclays Global Agg	2.8	4.3	0.9	-0.5	3.0	-5.1	-1.4	6.9
Barclays High Yield Very Liquid Index	1.9	4.1	4.5	4.4	11.0	1.9	3.6	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	77.91	-4.5	-4.8	-4.9
Natural Gas/mmBTU	2.04	-21.7	-22.7	2.3
Copper/pound	4.18	-4.9	4.2	-8.5
Silver/oz	28.94	-1.0	15.9	9.7
Gold/oz	2426.50	3.7	23.1	5.4

Source: Bloomberg.

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

Sector	S&P/TSX returns	S&P 500 returns
Consumer Discretionary	4.5	2.6
Consumer Staples	8.4	2.8
Energy	3.6	3.0
Financials	6.8	7.3
Health Care	4.1	3.5
Industrials	2.6	5.9
Info Tech	2.5	-1.2
Materials	9.2	5.3
Real Estate	10.6	8.2
Telecom Services	6.2	-3.2
Utilities	7.8	7.8

Source: Bloomberg.

Table 4: Economic Data

Canada	
Real GDP- Q2 (q/q ann. % change)	1.7
Consumer Prices, 06/2024 (y/y % change)	2.7
Unemployment Rate, 06/2024	6.4
United States	
Real GDP- Q2 (q/q ann. % change)	2.8
Consumer Prices, 06/2024 (y/y % change)	3.0
Unemployment Rate, 06/2024	4.3

Source: Bloomberg, Stats Canada.

Table 6: Exchange Rates

Cross	07/31/2024	6 Mos Ago	1 Yr Ago
USD/CAD	1.38	1.38	1.32
EUR/CAD	1.49	1.45	1.45
GBP/CAD	1.78	1.70	1.69
CAD/JPY	108.62	109.36	107.88

Source: Bloomberg.

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