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Weekly Market Snapshot

For the week ending November 1, 2024

Equities

Local currency, price only, % change

	2024-11-01	Week	QTD	YTD	1Y
S&P/TSX Composite	24,255	-0.9%	1.1%	15.7%	27.1%
S&P/TSX Small Cap	825	-1.4%	1.4%	17.5%	26.1%
S&P 500	5,729	-1.4%	-0.6%	20.1%	35.2%
NASDAQ	18,240	-1.5%	0.3%	21.5%	39.6%
Russell 2000	2,210	0.1%	-0.9%	9.0%	32.4%
UK FTSE 100	8,177	-0.9%	-0.7%	5.7%	11.4%
Euro Stoxx 50	4,878	-1.3%	-2.5%	7.9%	19.2%
Nikkei 225	38,054	0.4%	0.4%	13.7%	20.4%
MSCI China (USD)	66	-0.9%	-5.0%	19.8%	20.2%
MSCI EM (USD)	1,122	-1.1%	-4.1%	9.6%	22.5%

Fixed income

Total return, % change

	2024-11-01	Week	QTD	YTD	1Y
FTSE Canada Universe Bond	1,153	0.2%	-1.4%	2.8%	10.0%
FTSE Canada All Corporate Bond	1,414	0.2%	-0.7%	5.1%	11.9%
Bloomberg Canada High Yield	189	0.1%	0.5%	7.7%	13.8%

Interest rates - Canada

Change in bps

	2024-11-01	Week	QTD	YTD	1Y
3-month T-bill	3.51	1	-45	-153	-152
GoC bonds 2 yr	3.10	2	20	-78	-142
GoC bonds 10 yr	3.29	3	33	18	-63
GoC bonds 30 yr	3.35	-4	21	32	-39

Currencies and Commodities

In USD, % change

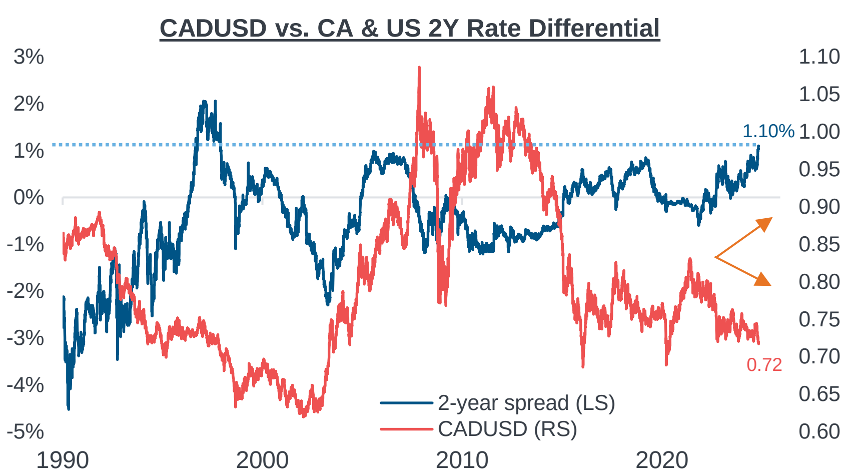
	2024-11-01	Week	QTD	YTD	1Y
CADUSD	0.717	-0.4%	-3.0%	-5.1%	-0.7%
US Dollar Index	104.28	0.0%	3.5%	2.9%	-2.4%
Oil (West Texas)	69.49	-3.5%	1.9%	-3.0%	-13.6%
Natural Gas	2.66	-13.9%	-20.4%	-24.8%	-38.3%
Gold	2,737	-0.4%	3.9%	32.6%	38.0%
Copper	4.37	0.0%	-4.0%	10.6%	15.9%

Canadian sector performance

Price return, % change

	Week	YTD
Energy	-2.7%	17.1%
Materials	-2.1%	30.1%
Industrials	0.1%	8.4%
Cons. Disc.	1.1%	11.3%
Info Tech	-0.4%	13.5%
Health Care	6.1%	17.8%
Financials	0.0%	19.6%
Cons. Staples	1.3%	10.9%
Comm. Services	-1.5%	-11.5%
Utilities	-2.3%	8.4%
Real Estate	-4.1%	-1.1%

Chart of the week: Mind the gap



A flat reading for Canadian GDP in August has further widened the gap between Canadian and US bond yields, putting pressure on the Canadian dollar (-0.4%). The loonie fell to its lowest level against the US dollar in two years, ending the week at CADUSD 0.717. The weakness in the CAD stems from diverging growth trajectories. In Canada, economic growth registered its second flat reading in the past three months in August. Meanwhile, the US is showing little to no signs of slowing down, with real GDP expanding at a robust annualized 2.8% clip in Q3, fueled by a 3.7% surge in consumer spending. This divergence has pushed the spread between the two- and ten-year sovereign bond yields to ~1.10%, the widest since at least the mid-1990s. Last week, Governor Macklem emphasized that the rate divergence between Canada and the US has yet to reach its limit. While there remains over a month of data to be considered before the BoC's next meeting on December 11, continued domestic weakness could prompt policymakers to deliver another 50 bps cut. ***This would likely add more downward pressure on the CAD, underpinning our tactical underweight stance relative to the global currency basket.***

MACKENZIE Investments

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A spooky end to October

A sharp sell-off on Thursday erased most of October's gains for global equities. Driving the declines was disappointing guidance from four of the five Magnificent 7 companies reporting earnings last week (see more below). US bond yields continued to climb higher due to another strong Q3 GDP report. Indeed, US nonfarm payrolls came in well below expectations, but markets are looking past the results, attributing the miss to distortions caused by the recent hurricanes and labour strikes. **Since the Fed's outsized 50 bps cut in September, the 10-year US Treasury yield has surged nearly 70 bps to ~4.4%, pressuring equity valuations in its wake.** Meanwhile, oil prices fell after major producers Chevron, Exxon Mobil, Shell, and BP announced significant production increases. In China, despite additional stimulus from the central bank, weak domestic demand remains a headwind for oil prices.

The table is set for the Fed to proceed with a 25 bps cut on Thursday. Nonfarm payrolls (+12k) grew at the slowest pace since 2020, following a sizeable downward revision (-112k) in the prior two months. While hurricanes Helene and Milton and the (ongoing) Boeing and (brief) East Coast port strikes likely distorted the numbers, the report showed underlying weakness. Cyclical sectors such as manufacturing (-46k) and private payrolls (-28k) were notably soft, with the latter posting its first decline since December 2020. Key sectors, including retail, construction, leisure and hospitality and financial services, saw minimal to no job growth. Full-time private sector jobs are now down a sizeable 1.5 million over the past year, a drop that has never been seen outside of recessionary periods. Although US GDP continued to hum along nicely in Q3 (+2.8% q/q SAAR), the Fed's increased focus on the cooling labour market should support a continuation of its rate-cutting campaign, especially with the Fed Funds Rate remaining ~200 bps above where policymakers see neutral. **We anticipate the Fed will deliver back-to-back 25 bps cuts in the final two meetings of the year.**

Investors hoping that earnings from five of the Magnificent 7 companies would reinvigorate the group, which has failed to reach its July all-time high, were left disappointed last week. While Apple, Alphabet, Amazon, Microsoft and Meta all exceeded analyst expectations for sales and earnings, concerns over next year's outlook weighed on their share prices. The main issue is uncertainty around the timing of returns on the AI investments, which hit a new high in Q3. **So far, the message has been that investors will need to wait longer, and look past the sizeable capital expenditure eroding the group's current profit margins.** Consequently, Wall Street has begun cutting next year's earnings growth estimates for the group, sending the Magnificent 7 Index (-1.8%) lower. Amazon was the exception, bolstered by a continued resurgence in its cloud business (+19% in Q3) after record-low sales growth last year and a jump in its advertising revenue, helping to offset the whopping $75 billion in capital expenditures expected in 2024. So far, Q3 is shaping up to be the second consecutive quarter of *good, but no good enough* earnings results for the group. **Given current valuations, we believe that investors can find better opportunities outside of the Magnificent 7, where these companies trade at less lofty valuations and are seeing their growth rates begin to catch up.**

It will be another busy week on the calendar. Investors should expect increased volatility with the US Presidential Election on Tuesday and the Fed decision on Thursday.

The week in review

- Canadian real GDP (Aug.) was flat 0.0% m/m (in line with expectations), after the prior month's downwardly revised 0.1% advance. In annual terms, real GDP is up 1.3% y/y. StatsCan's flash estimate for September forecasts a 0.3% m/m rebound.
- US real GDP (Q3) expanded 2.8% q/q annualized (versus 2.8% expected), after the prior month's 3.0% advance.
- US personal spending (Sept.) rose 0.5% m/m (versus 0.4% expected). In real terms, spending rose 0.4% m/m (versus 0.3% expected). In annual terms, real spending is up 3.1% y/y.
- US personal incomes (Sept.) rose 0.3% m/m (in line with expectations), after the prior month's 0.2% increase.
- US Core PCE Price Index (Sept.) rose 0.3% m/m (in line with expectations), holding the annual pace steady at 2.7% y/y.
- US non-farm payrolls (Oct.) rose 12k (versus 100k expected). There was a -112k downward revision to the prior two months. The unemployment rate held steady at 4.1%. The labour force participation rate slipped to 62.6%, while average hourly earnings accelerated slightly to 4.0% y/y from a downwardly revised 3.9%.
- US JOLTS job openings (Sept.) fell to 7.4 million (versus 8.0 million expected), down from a downwardly revised 7.9 million in the prior month.
- US Conference Board Consumer Confidence (Oct.) jumped to 108.7 from 99.2.
- US Employment Cost Index (Q3) rose 0.8% q/q (versus 0.9% expected), after the 0.9% increase in the prior quarter.
- Eurozone real GDP (Q4) rose 0.4% q/q seasonally adjusted (versus 0.2% expected), after the 0.2% advance in the prior quarter. In annual terms, real GDP has increased 0.9% y/y.
- Eurozone CPI inflation rose 0.3% m/m (versus 0.2% expected), raising the annual pace to 2.0% y/y. Core inflation held steady at 2.7% y/y.
- The Bank of Japan held its target rate steady at 0.25%.
- Purchasing Managers Index (PMI) recap (Oct, change from prior reading in brackets): Canada S&P Manufacturing 51.1 (+0.7); US ISM Manufacturing 46.5 (-0.7); and China Caixin Manufacturing 50.3 (+1.0), Official Manufacturing 50.1 (+0.3), Official Non-manufacturing 50.2 (+0.2).

The week ahead

- US Presidential Election
- US FOMC monetary policy announcement
- Canadian employment and trade data
- BoC Summary of Deliberations from October meeting
- US ISM Services and productivity data
- UK, Australia and Brazil monetary policy announcements
- Chinese trade and PMI data
- Eurozone retail sales
- 102 S&P 500 and 102 S&P/TSX companies report earnings

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