



Monthly Investment Monitor

March In Review

Despite conflicting economic signals, stock markets surged to record highs in March, reflecting a sense of boundless investor optimism. Canadian stocks ended the month up 4.1%, with most sectors posting gains except for consumer discretionary, information technology, and communication services. The Materials sector led the pack, advancing 15.4%, followed by health care (+13.5%). Commodity prices diverged, with natural gas experiencing a decline of 12.2%, while gold, WTI crude oil, and copper all rose 7.9%, 7.4%, and 4.2%, respectively. In the U.S., stocks rose by 3.2% in U.S. dollar terms, with every S&P 500 sector registering positive performance for the month, led by the energy sector with a notable increase of 10.6%. Global equities and Emerging Markets advanced 3.2% and 2.2% respectively. The Bank of Japan (BoJ) ended its negative interest rate policy, raising interest rates from -0.1% to a range of 0 to 0.1%, helping to send the Japanese Nikkei 225 Index past its 1989 bubble-era high.

Here are some of March's most notable events:

Bank of Canada (BoC) holds steady on rates, cautious on inflation progress.

The BoC chose to keep its policy rate unchanged, as Governor Macklem acknowledged improvements in inflation but advised against premature rate cuts. Year-over-year inflation for March slightly fell short of forecasts, registering at 2.8%, which suggests a possibility of BoC rate cuts in the summer, according to market sentiment. Likewise, the U.S. Federal Reserve (Fed) left its interest rates unchanged, in line with market expectations, leading to a surge in equities. March's inflation figures outpaced predictions, with year-over-year rates reaching 3.2%, while core inflation exceeded forecasts at 3.8%.

Canadian economy outperforms on jobs and productivity, U.S. sees mixed employment data. In Canada, economic growth benefited from two key factors: labor hours worked and labor productivity (essentially how much 'work' each worker produces), with both surpassing March forecasts. The economy added 40,700 new jobs, double the projections, while unemployment remained steady. Additionally, labor productivity exceeded expectations by 0.2% quarter-over-quarter. In the US, non-farm payrolls grew by 275,000 jobs, surpassing forecasts. However, February's job figures were revised downward significantly, leading to a higher unemployment rate of 3.9% compared to the forecasted 3.7%.

Retail sales paint mixed picture in Canada and U.S. amid economic uncertainty.

The latest retail sales data from Canada and the United States offers a nuanced perspective on consumer activity. Canadian retail sales dipped by 0.3%, slightly below the forecasted 0.4%, reflecting cautious consumer behavior amid rising inflation and economic uncertainty. Conversely, US retail sales increased by 0.6%, below the expected 0.8%, with February's figures revised down from -0.8% to -1.1%, indicating softer spending trends. Durable goods orders surpassed forecasts, rising 1.4%, but February's figures were revised further down from -6.1% to -6.9%, suggesting ongoing challenges. Overall, while certain sectors show resilience, caution and volatility persist in both markets.

Half of all Canadians reported a high level of life satisfaction, with men slightly more likely to do so than women. Quebec had the highest proportion of people reporting high life satisfaction, while British Columbia had the lowest among provinces. Rural areas generally reported higher life satisfaction (59%) compared to urban areas (49%). Life satisfaction increased with age, with individuals aged 65 and over reporting the highest levels at 60%. Among those reporting high life satisfaction, the majority also reported a strong sense of meaning and purpose (84%), excellent or very good self-rated health (63%), and excellent or very good self-rated mental health (68%). In 2023, Canada ranked 11th among Organisation for Economic Co-operation and Development (OECD) countries for life satisfaction, with a score of 7.2 out of 10.

Source: Statistics Canada, Canadian Social Survey (wave 10), July to September 2023; OECD, Better Life Index (accessed in 2023).

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Index [†]	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.37	1.24	4.92	179
Bonds (FTSE Canada Universe Bond)	0.49	-1.22	2.10	1,108
Canadian Equities (S&P/TSX Composite)	4.13	6.61	14.02	22,167
U.S. Equities (S&P 500, US\$)	3.22	10.55	29.86	5,254
Global Equities (MSCI World, US\$)	3.24	8.98	25.69	3,437
Emerging Markets (MSCI Emerging Markets, US\$)	2.22	2.13	8.21	1,040

Currencies [†]	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	0.27	-2.20	-0.18	0.74
C\$/Euro	0.45	0.13	0.35	0.68
C\$/Pound	0.27	-1.32	-2.48	0.59
C\$/Yen	1.22	5.16	13.76	111.80

Commodities (US\$) [†]	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	7.90	6.02	7.24	2,238
Oil WTI (\$/barrel)	7.39	15.31	16.22	83.17
Natural Gas (\$/MMBtu)	-12.20	-25.55	-45.28	1.76

[†] Total Return, as at March 28, 2024. Indices are quoted in their local currency. Source: Bloomberg Indices are not managed, and it is not possible to invest directly in an index.

Did You Know?

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