March 2024

Monthly Investment Monitor

February In Review

Equity markets continued to march higher in February, leading some North American markets to reach new all-time highs. Despite concerns of a possible slowdown, the global economy is proving to be quite resilient. By extension, inflation remains a top focus for central banks, as the U.S. Consumer Price Index (CPI) increased 3.1% year-over-year (YoY) in January, reflecting a higher-than-expected reading that surprised many analysts. Canadian stocks gained 1.8% month-over-month (MoM), lifted by strong sector performance in health care (8.5% MoM), industrials (5.7%) and consumer staples (5.25%). Commodities diverged, as natural gas plummeted -12.3%, along with declines in gold (-0.6%) and copper (-2.1%), while WTI crude oil rose 3.4%. U.S. stocks rose 5.3% in U.S. dollar terms, with all S&P 500 sectors positive for the month. Canadian bond yields were relatively flat for the month, falling slightly by 0.3% on the expectation that the Bank of Canada would maintain its target rate.

Here are some of February's most notable events:

Global economic data highlights the global economy's resilience. The recent Organisation for Economic Co-operation and Development (OECD) report forecasts a robust 2.9% global GDP growth for 2024, surpassing earlier projections. The U.S. is expected to drive this growth, benefiting from reduced inflation and higher wages while Germany's economic slowdown could dampen the euro area's outlook. Despite avoiding a technical recession, Europe faces subdued domestic demand and elevated inflation. China anticipates a slowdown, revealing vulnerability amid deflationary concerns. Despite this, the OECD urges caution to central banks, citing persistent inflation risks tied to labor costs and geopolitical tensions.

Unexpectedly robust household data, both domestically and internationally, surprises investors. In January, Canada added 37,300 jobs, bringing the unemployment rate down to 5.7%. Similarly, the U.S. surpassed expectations, gaining 353,000 jobs, maintaining a 3.7% unemployment rate. Despite challenges from high inflation and tight monetary policies, US consumers maintain spending habits, likely due wage growth. However, concerns are arising over escalating credit delinquencies, posing sustainability questions as savings dwindle and the specter of layoffs looms.

Inflation: The Sizzle or the Fizzle? Canadian inflation slowed in January, dropping to a rate of 2.9% YoY from the previous month's 3.4% YoY, the slowest pace since June 2023. The decline heightened speculation about the timing of rate cuts, presenting evidence to the Bank of Canada of inflation moving towards its 2% target. While the U.S. Federal Reserve anticipates rate cuts, they may not occur as rapidly as market expectations. The U.S. consumer price index increased by 3.1% YoY in January, exceeding the consensus estimate. Globally, Eurozone inflation eased as expected, with CPI finalizing at 2.8% YoY and Core CPI at 3.3%, slightly less than economists' projections.

Index†	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.40	0.87	4.96	179
Bonds (FTSE Canada Universe Bond)	-0.34	-1.71	3.79	1,102
Canadian Equities (S&P/TSX Composite)	1.82	2.38	9.27	21,364
U.S. Equities (S&P 500, US$)	5.34	7.11	30.43	5,096
Global Equities (MSCI World, US$)	4.28	5.56	25.61	3,337
Emerging Markets (MSCI Emerging Markets, US$)	4.78	-0.08	9.11	1,021

Currencies†	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C$/US$	-1.06	-2.46	0.50	0.74
C$/Euro	-0.94	-0.32	-1.62	0.68
C$/Pound	-0.56	-1.59	-4.30	0.58
C$/Yen	1.00	3.89	10.69	110.46

Commodities (US$)†	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot ($/oz)	-0.61	-1.77	5.94	2,055
Oil WTI ($/barrel)	3.37	8.68	7.47	78.26
Natural Gas ($/MMBtu)	-12.31	-19.27	-44.21	1.86

† Total Return, as at February 29, 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?

Is your cash still stuck in park? When it comes to investing for the long-term, it's hard to reach your destination when your hard-earned savings are sitting in cash. With inflation falling and central banks poised to cut interest rates in 2024, the changing investment landscape is sending a clear message: it's time to consider shifting your cash into high gear. A Scotiabank advisor can review your financial plan and investing strategy to help you stay on track with reaching your financial goals. Speak to your Scotiabank advisor today to develop your personalized financial plan.

MIM March EN 2024 v1

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