September 2024

Monthly Investment Monitor

August In Review

Following several months of calm, volatility returned in August, with markets selling off following a soft U.S. labour report and weaker than expected corporate earnings. Early in the month, equity markets saw sharp declines as investors shifted away from stocks fearing a U.S. recession, with the Information Technology and Materials sectors leading the decline. However, markets quickly reversed course and continued their upward trend by month-end. Canadian stocks ended August up 1.22%, buoyed by investor optimism and the expectation of continued rate reductions by the Bank of Canada. Top performing TSX sectors for the month were Real Estate (6.51%) and Information Technology (6.20%). U.S. stocks gained 2.43%, with nine of eleven S&P 500 sectors positive for the month. Canadian and U.S. bonds climbed 0.33% and 1.44%, respectively, on signs of easing inflation and falling interest rates. During the month, gold climbed 2.21%, while WTI crude oil and natural gas prices declined 4.28% and 1.62%, respectively. Emerging market equities also advanced 1.64%, driven by strong market performances in Turkey, Hungary, and Egypt.

Here are some of August's most notable events:

Powell calms markets. U.S. Federal Reserve (Fed) Chair Jerome Powell reassured investors at the annual Jackson Hole symposium in late August by signaling that the Fed is prepared to cut interest rates in response to cooling economic indicators and a softening labor market. Powell emphasized that the Fed might need to ease its monetary policy to prevent a recession, depending on upcoming economic data. Powell's remarks helped calm investor fears, with markets now expecting a series of rate cuts by the end of the year to come off their current 23-year high.

Consumers resilient despite economic pressure. Both Canadian and U.S. consumers navigated economic uncertainty in August. While the U.S. saw signs of a cooling labor market and softening consumer confidence, retail spending remained strong, offering a glimmer of optimism. In Canada, consumer confidence improved, driven by rate cuts, but challenges in the labor market and retail sector highlighted the ongoing economic pressures. Both markets exhibited volatility, as consumers responded to changing economic conditions and central bank actions.

The Bank of England (BoE) reduced its policy interest rate. Early in August, the BoE cut its policy interest rate by 25 basis points to 5.00%, a move widely anticipated by economists. The BoE believed this rate cut was necessary due to the slowdown in inflation and to support a slowing economy and labor market. Later in August, the U.K. inflation rate edged up to 2.2% in July, which was below expectations but higher than the 2.0% rate in June. The core inflation rate fell to 3.3% in July from 3.5% in June. July's inflation data suggests that inflation is on a choppy path towards the BoE's 2% target. Looking ahead, inflation remains a concern for the BoE, so it has communicated a cautious approach in cutting interest rates further.

Index†	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.38	3.39	5.60	183.21
Bonds (FTSE Canada Universe Bond)	0.33	2.32	7.69	1,147.51
Canadian Equities (S&P/TSX Composite)	1.22	13.65	17.14	23,346.18
U.S. Bonds (Barclays U.S. Aggregated Bond, U.S.$)	1.44	3.07	6.61	2,228.33
U.S. Equities (S&P 500, US$)	2.43	19.52	25.10	5,648.40
Global Equities (MSCI World, US$)	2.68	17.10	22.10	3,661.24
Emerging Markets (MCSI Emerging Markets, US$)	1.64	9.80	8.37	1,099.92

Currencies†	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C$/US$	2.35	-1.84	-2.23	0.7412
C$/Euro	0.28	-1.89	-2.70	0.6709
C$/Pound	0.23	-4.76	-4.42	0.5646
C$/Yen	-0.26	1.90	0.43	108.340

Commodities (US$)†	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot ($/oz)	2.21	17.01	19.31	2,527.60
Oil WTI ($/barrel)	-4.28	3.62	-2.75	73.55
Natural Gas ($/MMBtu)	-1.62	-22.43	-38.19	2.13

† Total Return, as at August 31, 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?

In the second quarter of 2024, the Canadian economy saw a 0.5% increase in real gross domestic product (GDP), building on a 0.4% rise in the first quarter. This growth was fueled by several factors: an increase in government spending, business investment, and household spending on services. However, these positive contributions were tempered by declines in other areas: a decrease in exports, investment in residential construction fell, and households spent less on goods. Despite the overall GDP growth, when adjusted for population, GDP per capita actually fell by 0.1% in the second quarter, marking the fifth consecutive quarter of decline. This indicates that while the economy is growing, the average economic output per person is decreasing.

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