

May in Review

Equity markets were generally positive in May, with some slight gains after weak performance year-to-date. Central banks continue to tighten monetary policy to address elevated inflation, while global economic growth is showing signs of moderating. While commodity prices were mixed, energy prices continued to climb. WTI crude oil gained 11.4%, while natural gas moved higher by 10.7%. Metals prices slipped lower, with gold declining 3.7% and copper dropping 2.6%. Canadian stocks were basically flat, with the S&P/TSX Composite up by 0.1%. The Energy sector led performance, up 8.4%, along with Financials, up 1.6%, and Utilities, up 0.8%. U.S. markets were up slightly, with the S&P 500 gaining 0.2% in U.S. dollar terms. The MSCI World Index moved 0.2% higher, while the MSCI Emerging Markets Index gained 0.5%, also in U.S. dollar terms. Bonds declined again in May as investors continued to price in expectations for more interest rate hikes, with the FTSE Canada Universe Bond Index down 0.1% at month-end.

Here are some of May's most notable events:

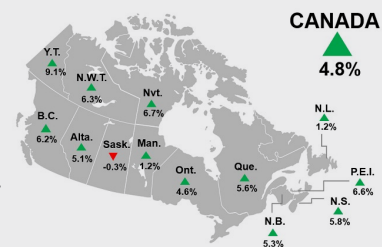
Major central banks continue to deliver rate hikes. The U.S. Federal Reserve (the Fed) announced a 50-basis point increase to the Fed Funds rate and the start of quantitative tightening, as had been expected. Minutes from the meeting indicate a hawkish attitude towards tackling inflation, and that 50-basis point increase would likely be appropriate at the next couple of meetings. Other central banks raised rates, with the Bank of England and the Reserve Bank of Australia both hiking by 25-basis points. European Central Bank (ECB) President Christine Lagarde stated the ECB's stimulus program is likely to end early in the third quarter, with a rate hike likely coming "a few weeks" later.

Data shows that inflation remains elevated. The U.S. Consumer Price Index (CPI) grew 8.3% in April, on a year-over-year basis, while the Canadian CPI grew by 6.8%. Core inflation, which extracts volatile food and energy prices, was 6.2% in the U.S., and 5.7% in Canada. However, the U.S. Core Personal Consumption Expenditures (PCE) Price Index in April rose 4.9% from the same time last year, indicating that while inflation is growing, the rate of growth appears to be slowing. The war in Ukraine continues to drive prices higher by impacting global supply of energy, commodity, and food.

Global economic growth is showing some signs of moderating. The UK economy shrank in March, down 0.1% from the previous month. This follows flat GDP growth in February, and strong performance in January, when GDP grew by 0.8%. Given the trend, there are growing concerns the UK economy could fall into a recession. Japan's economy contracted in the first quarter, declining by an annualized rate of 1%. Meanwhile Eurozone PMI shows slowing growth in May. S&P Global's flash Composite Purchasing Managers' Index (PMI) was 54.9 in May, down from 55.8 in April. Global headwinds such as continued supply chain issues, COVID-19 restrictions, and the war in Ukraine are making an impact.

Did you know?

There was a rapid bounce back in the Canadian economy after the worst of the COVID-19 pandemic economic impact, with GDP rising in every province and territory except Saskatchewan in 2021, up 4.8% overall in the country. Growth was primarily driven by service-producing industries, notably those most impacted by the pandemic. All components of the public sector grew in 2021, as did health care and social assistance services. Output of retail trade grew in across the country, with a rebound in motor vehicle and parts dealers leading the growth.



Source: Statistics Canada

INDEX†	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.13	0.19	0.26	167
Bonds (FTSE Canada Universe Bond)	-0.07	-10.28	-8.55	1,068
Canadian Equities (S&P/TSX Composite)	0.06	-1.25	7.98	20,729
U.S. Equities (S&P 500, US\$)	0.18	-12.76	-0.32	4,132
Global Equities (MSCI World, US\$)	0.15	-12.75	-4.35	2,791
Emerging Markets (MSCI Emerging Markets, US\$)	0.46	-11.72	-19.59	1,078

CURRENCIES†	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	1.68	-0.08	-4.62	0.79
C\$/Euro	-0.14	5.91	8.63	0.74
C\$/Pound	1.44	7.32	7.54	0.63
C\$/Yen	0.65	11.67	11.97	101.71

COMMODITIES (US\$)†	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	-3.66	0.68	-3.57	1,848
Oil WTI (\$/barrel)	11.39	57.56	88.51	114.67
Natural Gas (\$/MMBtu)	10.74	123.89	205.17	8.15

† Total Return, as at May 31, 2022. Indices are quoted in their local currency. Source: Bloomberg

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