MONTH IN REVIEW

March 2024

In focus

Global equities continued to advance in March on improving economic data and prospects of a soft landing. The positive sentiment was boosted by the U.S. Federal Reserve's dovish stance; the central bank maintained its fund rate within the expected range of 5.25% to 5.50% and indicated plans for three rate cuts before the year's end.

Japanese equities continued to gain strength in March, a month marked by the Bank of Japan's decision to end its negative interest rate policy and eliminate yield curve control. This was the first move to tighten the monetary policy in Japan in nearly two decades. The Japan Trade Union Confederation announced it had won a 5.28% wage hike for members, the highest since 1991, and well above market expectations.

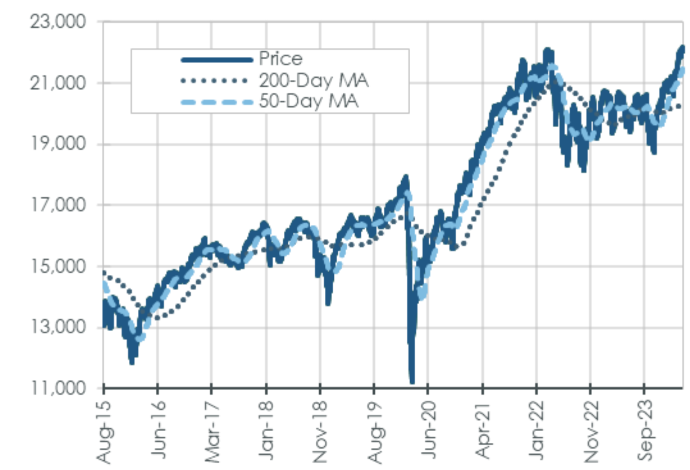
At a sector level, energy led the rally, with a rise in oil prices, due to ongoing supply cuts and geopolitical tensions, boosting performance. Meanwhile, materials advanced on higher copper prices. In contrast, consumer discretionary and consumer staples were among the notable laggards.

In the fixed income market, U.S. Treasury yields ended lower for the month. This came as Federal Reserve Chair Jerome Powell reiterated the central bank's intention to implement rate cuts later this year, contingent upon continued easing in inflation data.

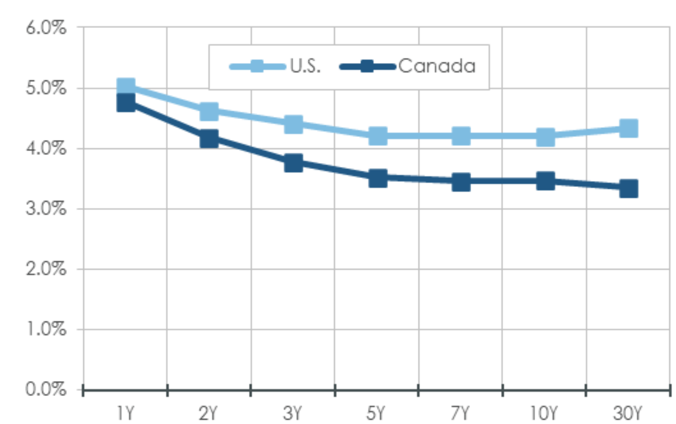
Indexes	Close	MTD	YTD	2023
S&P/TSX	22,167.03	3.76%	5.77%	8.12%
S&P500	5,254.35	3.10%	10.16%	24.23%
NASDAQ	16,379.46	1.79%	9.11%	43.42%
DJIA	39,807.37	2.08%	5.62%	13.70%
Russell 2000	2,124.55	3.39%	4.81%	15.09%
FTSE 100	7,952.62	4.23%	2.84%	3.78%
Euro Stoxx 50	5,083.42	4.22%	12.43%	19.19%
Nikkei 225	40,369.44	3.07%	20.63%	28.24%
Hang Seng	16,541.42	0.18%	-2.97%	-13.82%
Shanghai Comp.	3,041.17	0.86%	2.23%	-3.70%
MSCI ACWI	783.58	2.93%	7.78%	20.09%
MSCI EM	1,043.20	2.18%	1.90%	7.04%
MSCI ACWI ESG Leaders	2,884.39	3.33%	8.93%	23.07%
Fixed income	**Close**	**MTD**	**YTD**	**2023**
FTSE Canada Uni.	1,107.75	0.49%	-1.22%	6.69%
BBG Global Agg.	461.58	0.55%	-2.08%	5.72%
TSX Pref	1,853.07	3.47%	9.62%	5.90%
Bond yields	**Close**	**bps chg MTD**	**bps chg YTD**	**bps chg 2023**
10 yr Canada Govt.	3.47%	-2.2	35.8	-19.0
10 yr U.S. Govt.	4.20%	-5.0	32.1	0.4
30 yr Canada Govt.	3.35%	-0.9	32.1	-24.4
30 yr U.S. Govt.	4.34%	-3.6	31.5	6.5
Commodities	**Close**	**MTD**	**YTD**	**2023**
Oil	83.17	7.39%	15.31%	-3.81%
Natural gas	1.76	-12.20%	-25.55%	-37.67%
Gold	2,229.87	9.08%	8.09%	13.10%
Silver	24.96	10.09%	4.91%	-0.66%
Copper	400.70	4.16%	2.52%	2.90%
Currencies	**Close**	**MTD**	**YTD**	**2023**
CAD/USD	0.7386	0.29%	-2.19%	2.34%
USD/EUR	0.9268	0.14%	2.31%	-3.02%
CAD/EUR	0.6843	0.40%	0.07%	-0.81%
USD/JPY	151.3500	0.91%	7.31%	7.57%
USD/CNY	7.2224	0.47%	1.72%	2.92%
USD/MXN	16.5586	-2.91%	-2.44%	-12.96%
GBP/CAD	1.7096	-0.27%	1.33%	2.90%
GBP/USD	1.2623	-0.02%	-0.85%	5.36%

Please refer to Appendix for the above table in Canadian dollar terms.

S&P/TSX Composite Index



Treasury yield curves



Source: Bloomberg and Refinitiv DataStream. Index returns are in local currency. All equity indexes are price returns and do not include dividends.

Economic indicators	Period	Survey	Actual	Prior period
Canada CPI YoY	Feb	3.1%	2.8%	2.9%
Canada unemployment rate	Feb	5.8%	5.8%	5.7%
Canada GDP MoM	Jan	0.4%	0.6%	-0.1%
U.S. CPI YoY	Feb	3.1%	3.2%	3.1%
U.S. GDP annualized QoQ	Q4'23	3.2%	3.4%	3.2%
China CPI YoY	Feb	0.3%	0.7%	-0.8%

Canada

Canadian stocks advanced during the month, boosted by materials, health care and energy stocks; upbeat domestic quarterly earnings provided further uplift. Data from Statistics Canada showed that the Consumer Price Index rose 2.8% year-on-year, down from a 2.9% gain in January. The surprise drop in headline inflation has raised expectations that the Canadian central bank will consider reducing rates some time soon. Retail sales decreased by 0.3% in January, following a surge of 0.9% in December driven by holiday season sales.

U.S.

U.S. equities advanced in March. Markets weakened early in the month, led by the mega-cap technology based "Magnificent Seven" stocks, Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla. Nvidia and Meta held steady, but the remaining five companies declined, reflecting concerns about their future earnings and soaring valuations. Markets also weakened as inflation remained higher than expected for a second consecutive month.

However, market sentiment shifted positively in mid-March, and equities rebounded, after the U.S. Federal Reserve signalled three rate cuts in 2024. The month ended on a strong note: the U.S. economy grew faster in the fourth quarter than previously estimated, with annual GDP at 3.4%, compared with earlier estimates of 3.2%. The upward revision was driven by strong consumer spending and business investment.

All sectors rose, with energy, utilities and materials among the strongest performers. Consumer discretionary, real estate and information technology made the top detractions.

Among macroeconomic data, the unemployment rate rose to 3.9% in February. Year-on-year, unemployment rose by 0.3%, remaining at historically low levels, reflecting a strong labour market. The Personal Consumption Expenditures Index, excluding food and energy, decreased marginally in February to 2.8%, on a year-on-year basis, down from 2.9% in January. The S&P Global U.S. manufacturing PMI remained in expansionary territory in March, at 51.9, marginally lower than February's rate of 52.2.

Rest of the world

European equities continued their upward trend in March as resilient economic data and a slew of dovish cues from major central banks fuelled risk-on sentiment among investors. The European Central Bank (ECB) left policy rates unchanged at its March meeting. The ECB continues to emphasise that it will take a data-dependent approach, based on economic evidence and the inflation outlook. Also during the month, however, the Swiss National Bank unexpectedly lowered interest rates by 0.25%, becoming the first central bank in a major developed economy to cut rates in the current cycle.

In macroeconomic news, business activity in the eurozone showed signs of stabilization in March. Employment also continued to increase for a third successive month, and business confidence improved to its strongest level since February 2023. Preliminary data from Eurostat show that annual consumer price inflation for the eurozone was 2.4% in March, down from 2.6% in February. The core inflation rate, which excludes food and energy, hit a two-year low of 2.9%.

Meanwhile, equities in Asia advanced led, by a strong rally in regional technology markets, with mega-cap semiconductor stocks leading the gains. In China, recent data releases provided some hope for a consumption-driven rebound, with factory output and investment, retail sales and fixed-asset investment all exceeding expectations. This indicated that the Chinese economy is gathering a more solid footing as it moves into 2024.

Looking ahead

Economic indicators	Period	Survey	Prior period
Canada CPI YoY	Mar	--	2.8%
Canada unemployment rate	Mar	5.9%	5.8%
U.S. change in non-farm payrolls	Mar	213k	275k
U.S. initial jobless claims	30-Mar	214k	210k
U.S. CPI YoY	Mar	3.5%	3.2%
China CPI YoY	Mar	0.4%	0.7%

Central bank meetings

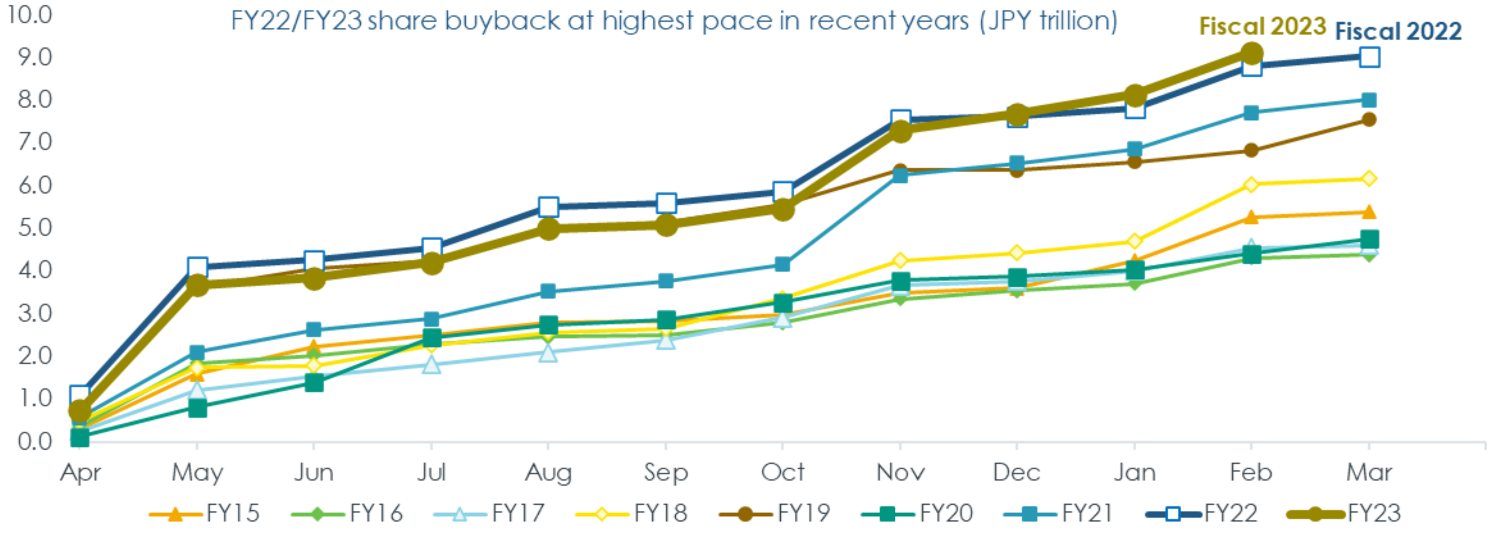
Central banks	Date	Probability of change	Current rate
Bank of Canada	10-Apr	-15.9%	5.00%
European Central Bank	11-Apr	-9.4%	4.50%
Bank of Japan	25-Apr	-1.4%	-0.10%
Federal Open Market Committee	01-May	-6.7%	5.50%
Bank of England	09-May	-19.1%	5.25%

Source: Bloomberg. Probability of change implies the possibility of a central bank hiking interest rates during their upcoming meeting. A negative number in this case means chances of a rate cut rather than a hike.

Spotlight

A monetary policy shift in Japan encourages the equity outlook.

The Bank of Japan ended its negative interest rate policy and eliminated yield curve control, marking the first move to tighten monetary policy in Japan in nearly two decades. This recent shift in monetary policy indicates that the country is moving out of a mindset centred on deflation and corporate cash accumulation and into another dynamic characterized by moderate inflation and wage growth. This, together with the new emphasis on governance reforms, has corporates implementing measures to improve capital efficiency, primarily through shareholder returns (now at record highs) and growth investments. For equity investors, these developments could unlock a range of opportunities in a variety of sectors.



Source: QUICK and SMBC Nikko Securities. Note: Universe is TOPIX constituents. Data as at February 15, 2024.

Appendix

Global markets (Returns in Canadian dollar terms)				
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Commodities	**Close**	**MTD**	**YTD**	**2023**
Oil	112.60	7.08%	17.88%	-6.02%
Natural gas	2.39	-12.45%	-23.89%	-39.10%
Gold	3,021.94	8.87%	10.56%	10.58%
Silver	33.83	9.87%	7.31%	-2.88%
Copper	542.51	3.86%	4.81%	0.54%
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