

# WEEK IN REVIEW

June 14, 2024

## In focus

Global equity markets were mixed for the week. In the U.S., the technology-dominated NASDAQ Index and the broad-based S&P 500 Index extended their weekly gains, thanks to cooling inflation and a rally in mega-cap technology stocks, while the Dow slid after the Federal Reserve (the Fed) lowered its guidance on interest rate cuts to just one 25-basis-point reduction in 2024.

European equities came under pressure, primarily after French President Emmanuel Macron's unexpected decision to call for a snap election weighed on riskier assets. Equities in China declined after the European Commission said it would impose extra duties on imported electric vehicles (EVs) in an effort to support European automakers.

Overall, information technology, which is sensitive to interest rates, was the best-performing sector, due to a significant drop in Treasury yields, as well as optimism about developments in the artificial intelligence space.

In the fixed income market, the yield on the ten-year U.S. Treasury bond fell after inflation data came in softer than expected, and after Fed officials emphasized that the central bank would need several more months of similar data before considering interest rate cuts. In the commodities market, oil prices rose; the market largely shrugged off geopolitical risks, and summer fuel demand is expected to reduce inventories in the coming weeks.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	21,639.10	-1.67%	-2.83%	3.25%
S&P 500	5,431.60	1.58%	2.92%	13.87%
NASDAQ	17,688.88	3.24%	5.70%	17.84%
DJIA	38,589.16	-0.54%	-0.25%	2.39%
Russell 2000	2,006.16	-1.01%	-3.09%	-1.03%
FISE 100	8,146.86	-1.19%	-1.55%	5.35%
Euro Stoxx 50	4,839.14	-4.20%	-2.90%	7.03%
Nikkei 225	38,814.56	0.34%	0.85%	15.99%
Hang Seng	17,941.78	-2.31%	-0.76%	5.25%
Shanghai Comp.	3,032.63	-0.61%	-1.76%	1.94%
MSCI ACWI	797.26	0.38%	1.49%	9.66%
MSCI EM	1,076.89	0.35%	2.66%	5.19%
MSCI ACWI ESG Leaders	2,961.24	0.51%	2.04%	11.83%

Fixed income	Close	Weekly	MTD	YTD
FISE Canada Uni.	1,131.29	1.32%	2.40%	0.88%
BBG Global Agg.	459.70	0.55%	0.85%	-2.48%
TSX Pref	1,864.43	-0.89%	-3.44%	10.29%

Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	3.28%	-18.4	-34.7	17.2
10 yr U.S. Govt.	4.22%	-21.3	-27.8	34.2
30 yr Canada Govt.	3.22%	-16.9	-26.8	18.2
30 yr U.S. Govt.	4.35%	-20.6	-29.8	32.1

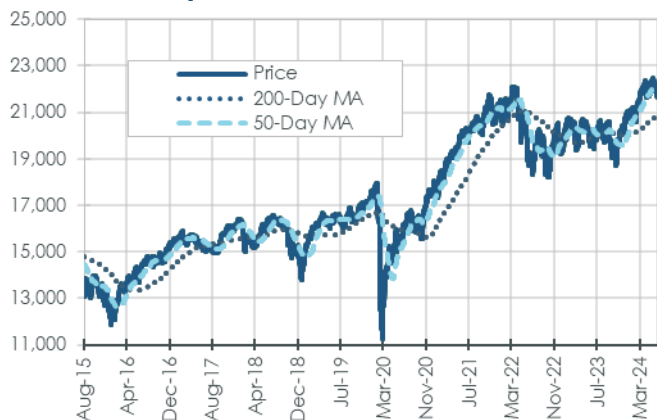
Commodities	Close	Weekly	MTD	YTD
Oil	78.45	3.87%	1.90%	9.00%
Natural gas	2.88	-1.27%	11.36%	8.63%
Gold	2,333.04	1.71%	0.25%	13.09%
Silver	29.55	1.38%	-2.81%	24.20%
Copper	447.50	-0.25%	-2.94%	13.52%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.73	0.21%	-0.78%	-3.58%
USD/EUR	0.93	0.92%	1.36%	3.14%
CAD/EUR	0.68	1.14%	0.58%	-0.53%
USD/JPY	157.40	0.41%	0.06%	11.60%
USD/CNY	7.26	0.11%	0.19%	2.19%
USD/MXN	18.46	0.35%	8.52%	8.77%
GBP/CAD	1.74	-0.82%	0.13%	3.06%
GBP/USD	1.27	-0.25%	-0.43%	-0.35%

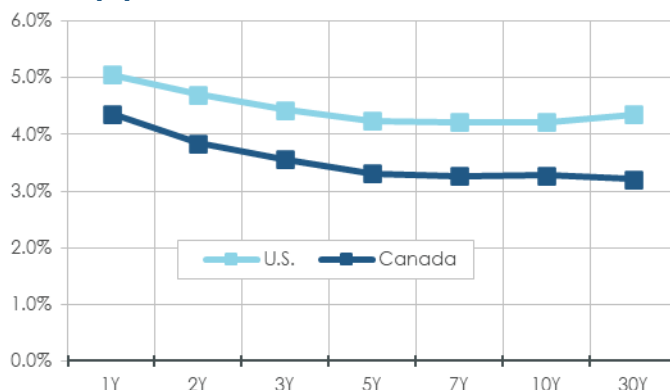
\*Please refer to the Appendix for the above table in Canadian dollar terms. Natural gas prices subject to change post-se

## S&P/TSX Composite Index



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

## Treasury yield curves



Economic indicators	Period	Survey	Actual	Prior period
Canada building permits MoM	Apr	5.0%	20.5%	-12.3%
Canada manufacturing sales MoM	Apr	1.2%	1.1%	-1.8%
U.S. initial jobless claims	Jun 8	225k	242k	229k
U.S. CPI YoY	May	3.4%	3.3%	3.4%
U.S. University of Michigan sentiment	Jun	72.0	65.6	69.1
U.S. CPI (ex food and energy) YoY	May	3.5%	3.4%	3.6%

## Canada

Canadian equities declined for the week, with interest rate-sensitive sectors such as utilities, real estate and financials, which account for 35% of the index weight, coming under pressure. Energy stocks tracked an earlier dip in crude prices; investors worried that the Fed would keep interest rates elevated for longer than previously expected. Gains in the information technology and industrials sectors helped contain losses.

Among individual stocks, Shopify's shares were notable performers. Enghouse Systems climbed after the software firm posted impressive second-quarter results. National Bank of Canada declined in response to plans to acquire Canadian Western Bank for CDN\$5 billion, while Canadian Western Bank's shares soared.

## U.S.

U.S. equity markets posted mixed gains over the week. The advance was led by the interest rate-sensitive information technology and communication services sectors; most other sectors either remained muted or declined. The energy and financials sectors were the chief laggards.

The week started on a cautious note ahead of the Fed policy decision and May's Consumer Price Index (CPI) report, which was expected to be unchanged. Unexpectedly, however, inflation slowed to 3.3% in May, the lowest in three months, compared with 3.4% in April. The Fed decided to keep the Fed funds rate target range steady at 5.25% to 5.50%, as expected. However, the dot-plot projections showed that there will only be one 25-basis-point rate cut this year, fewer than previously anticipated.

On the economic data front, the preliminary reading of the University of Michigan's consumer sentiment Index fell unexpectedly to a seven-month low in June, at 65.6, down from 69.1 in May and well below forecasts of 72.0.

This decline was attributed to households' concerns about inflationary pressures and weakening incomes. Additionally, a report showed that the number of initial claims for unemployment benefits surged unexpectedly last week, highlighting a softening labour market.

Among stocks, Nvidia was boosted by a ten-for-one stock split that led to speculation about the chipmaker's potential inclusion in the blue-chip Dow Index. Broadcom also saw a significant jump after raising its annual revenue forecast for AI-linked chips and announcing a stock split. Oracle rose on an impressive quarterly report and financial guidance. Apple gained after it unveiled new AI features.

## Rest of the world

European equities declined due to political uncertainty in France and the Fed's reduced rate-cut forecast for this year. Bond yields in Europe fell sharply following cooler-than-expected U.S. inflation data, boosting rate-sensitive stocks. Automakers also faced extended losses due to concerns about how China might respond to the European Union's new tariffs on imported Chinese EVs.

In economic data, the U.K. unexpectedly saw a slight increase in its unemployment rate to 4.4% for the three months leading up to April. GDP remained flat in April after a strong start to the year. Germany's inflation was confirmed at 2.4% for May, marking the first increase in five months. Core inflation, which excludes volatile items such as food and energy, stood at 3.0%.

In Asia, Chinese equities declined over the week due to the implementation of stricter rules for quantitative trading, which raised concerns about market turnovers. Data showed that consumer prices in China rose less than expected in May, to 0.3% year-over-year, while producer prices remained deflationary. The Bank of Japan (BoJ) kept interest rates unchanged in June, as widely expected, while maintaining the scale of its bond purchases for this month. However, the BoJ indicated that it would reduce bond buying in the future.

## Looking ahead

Economic indicators	Period	Survey	Prior period
Canada housing starts	May	245.1k	240.2k
Canada retail sales MoM	Apr	0.7%	-0.2%
U.S. initial jobless claims	Jun 15	235k	242k
U.S. retail sales advance MoM	May	0.3%	0.0%
U.S. housing starts	May	1375k	1360k
U.S. Philadelphia Fed business outlook	Jun	4.8	4.5

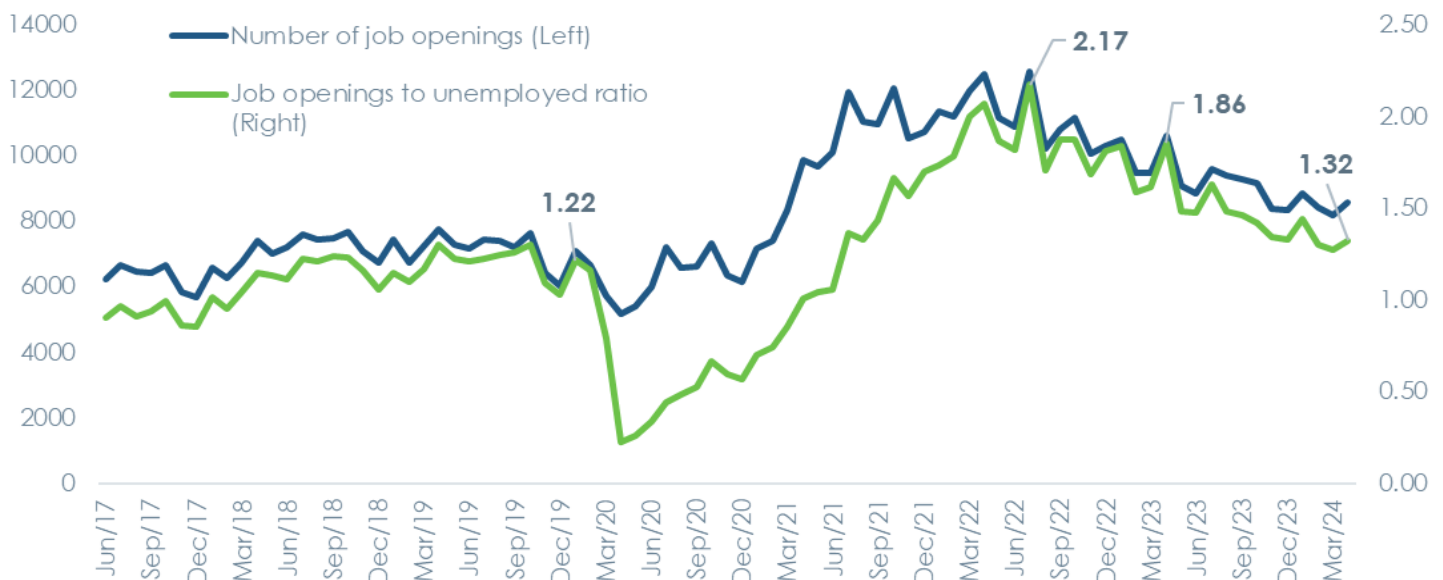
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Bank of England	20-Jun-24	-3.3%	5.25%
European Central Bank	18-Jul-24	-15.6%	4.25%
Bank of Canada	24-Jul-24	-70.0%	4.75%
Bank of Japan	30-Jul-24	39.9%	-0.10%
Federal Open Market Committee	31-Jul-24	-10.0%	5.5%

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

### Cooling labour markets are moving toward pre-pandemic levels.

The number of U.S. job openings and the ratio of job openings to the number of people unemployed both have trended lower since 2022. In July 2022, there were twice as many job openings as the number of unemployed, the most on record. But with job openings declining more than expected in April, the openings-to-unemployed ratio (a key gauge of labour tightness) has now dropped to 1.3 from 1.8 a year ago. This ratio is returning to its pre-pandemic level, as is the rate at which people quit their work voluntarily. The silver lining to the cooling labour market is that it should slow down wage growth, a key driver of services inflation.



Source: Refinitiv and U.S. Bureau of Labor Statistics.

## Appendix

Global markets (Returns in Canadian dollar terms)				
Indexes	Close	Weekly	MTD	YTD
S&P/TSX	21,639.10	-1.67%	-2.83%	3.25%
S&P500	5,431.60	1.48%	3.58%	18.39%
NASDAQ	17,688.88	3.14%	6.38%	22.51%
DJIA	38,589.16	-0.64%	0.39%	6.45%
Russell 2000	2,006.16	-1.11%	-2.46%	2.89%
FTSE 100	8,146.86	-1.58%	-1.25%	8.88%
Euro Stoxx 50	4,839.14	-5.22%	-3.59%	7.62%
Nikkei 225	38,814.56	-0.18%	1.41%	7.96%
Hang Seng	17,941.78	-2.41%	-0.01%	9.40%
Shanghai Comp.	3,032.63	-0.83%	-1.31%	3.73%
MSCI ACWI	797.26	0.28%	2.15%	14.02%
MSCI EM	1,076.89	0.25%	3.32%	9.36%
MSCI ACWI ESG Leaders	2,961.24	0.41%	2.70%	16.26%
Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,131.29	1.32%	2.40%	0.88%
BBG Global Agg.	459.70	0.34%	1.64%	1.13%
TSX Pref	1,864.43	-0.89%	-3.44%	10.29%
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	3.28	-18.4	-34.7	17.2
10 yr U.S. Govt.	4.22	-21.3	-27.8	34.2
30 yr Canada Govt.	3.22	-16.9	-26.8	18.2
30 yr U.S. Govt.	4.35	-20.6	-29.8	32.1
Commodities	Close	Weekly	MTD	YTD
Oil	107.75	3.65%	2.69%	13.05%
Natural gas	3.96	-1.47%	12.24%	12.66%
Gold	3,204.48	1.48%	1.04%	17.24%
Silver	40.59	1.14%	-2.04%	28.76%
Copper	614.61	-0.45%	-2.18%	17.73%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7281	0.21%	-0.78%	-3.58%
USD/EUR	0.9343	0.92%	1.36%	3.14%
CAD/EUR	0.6802	1.14%	0.58%	-0.53%
USD/JPY	157.4000	0.41%	0.06%	11.60%
USD/CNY	7.2557	0.11%	0.19%	2.19%
USD/MXN	18.4612	0.35%	8.52%	8.77%
GBP/CAD	1.7388	-0.82%	0.13%	3.06%
GBP/USD	1.2687	-0.25%	-0.43%	-0.35%

Source: Bloomberg, Refinitiv DataStream. All equity indexes returns are price returns and do not include dividends.

Views expressed regarding a particular company, security, industry or market sector are the views only of that individual as of the time expressed and do not necessarily represent the views of Fidelity or any other person in the Fidelity organization. Such views are subject to change at any time, based upon markets and other conditions, and Fidelity disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Fidelity Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Fidelity Fund.

Certain statements in this commentary may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates" and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest, and assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable and, accordingly, may prove to be incorrect at a future date. FLS are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any FLS. A number of important factors can contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition and catastrophic events. You should avoid placing any undue reliance on FLS. Further, there is no specific intention of updating any FLS, whether as a result of new information, future events or otherwise.