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Weekly Market Snapshot

For the week ending August 30, 2024

Equities

Local currency, price only, % change

	2024-08-30	Week	QTD	YTD	1 Yr
S&P/TSX Composite	23,346	0.3%	6.7%	11.4%	14.8%
S&P/TSX Small Cap	786	-1.5%	4.2%	11.9%	11.1%
S&P 500	5,648	0.2%	3.4%	18.4%	25.1%
NASDAQ	17,714	-0.9%	-0.1%	18.0%	26.4%
Russell 2000	2,218	0.0%	8.3%	9.4%	16.5%
UK FTSE 100	8,377	0.6%	2.6%	8.3%	12.1%
Euro Stoxx 50	4,958	1.0%	1.3%	9.7%	14.9%
Nikkei 225	38,648	0.7%	-2.4%	15.5%	19.5%
MSCI China (USD)	57	-0.3%	-1.4%	2.1%	-5.7%
MSCI EM (USD)	1,100	-0.1%	1.3%	7.4%	11.3%

Fixed income

Total return, % change

	2024-08-30	Week	QTD	YTD	1 Yr
FTSE Canada Universe Bond Index	1,148	-0.9%	2.7%	2.3%	8.0%
FTSE Canada All Corporate Bond Index	1,395	-0.6%	2.5%	3.7%	9.7%
Bloomberg Canada High Yield Index	185	0.1%	1.6%	5.1%	11.3%

Interest rates - Canada

Change in bps

	2024-08-30	Week	QTD	YTD	1 Yr
3-month T-bill	4.15	-7	-49	-89	-93
GOC bonds 2 yr	3.33	9	-67	-56	-132
GOC bonds 10 yr	3.16	13	-34	5	-42
GOC bonds 30 yr	3.26	14	-13	23	-14

Currencies and Commodities

In USD, % change

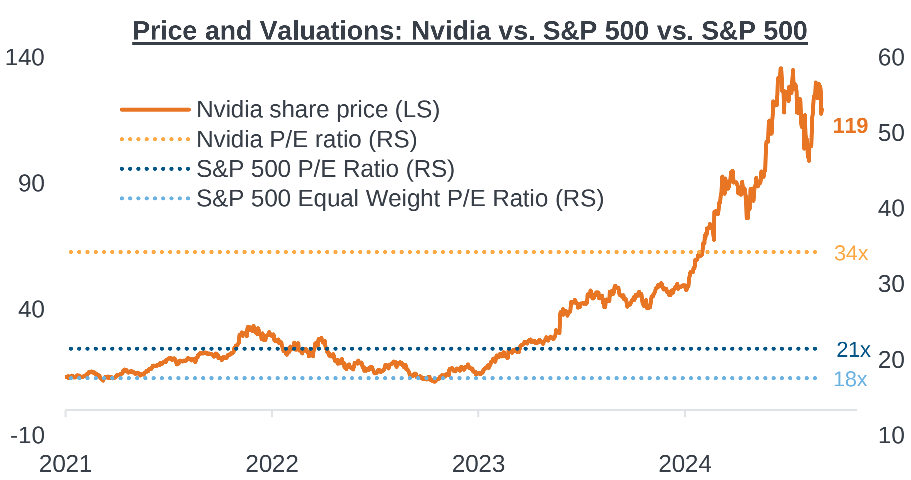
	2024-08-30	Week	QTD	YTD	1 Yr
CDN $	0.741	0.1%	1.4%	-1.8%	0.3%
US Dollar Index	101.70	1.0%	-3.9%	0.4%	-1.4%
Oil (West Texas)	73.55	-3.0%	-9.8%	2.7%	-9.9%
Natural Gas	2.13	-2.4%	-21.0%	-22.4%	-38.0%
Gold	2,503	-0.4%	7.6%	21.3%	28.9%
Copper	4.21	-0.8%	-4.5%	6.6%	7.9%

Canadian sector performance

Price return, % change

	Week	YTD
Energy	-0.4%	14.9%
Materials	-1.7%	22.2%
Industrials	0.1%	8.1%
Cons. Disc.	0.3%	7.2%
Info Tech	-0.7%	7.6%
Health Care	-2.8%	-3.4%
Financials	1.9%	11.9%
Cons. Staples	-0.5%	12.5%
Comm. Services	-0.1%	-8.5%
Utilities	0.1%	5.3%
Real Estate	1.0%	4.2%

Chart of the week: Good, but not good enough



*Despite broad beats across virtually every measure in its Q2 earnings report, **the results fell short** of the towering bar set by investors, including those gathering at inaugural 'Nvidia Day' watch parties. The market's harsh reaction underscores the immense expectations for Nvidia and other companies tied to the AI frenzy. Two key issues overshadowed Nvidia's solid results: **a narrowing trend of revenue forecast beats and the confirmation of speculated production delays in its new Blackwell chip.** These factors underpinned Nvidia shares sliding by as much as 6% post-earnings. Nvidia raised its Q3 revenue forecast to approximately $32.5 billion, exceeding the consensus estimate by $600 million. However, this was the narrowest beat since early 2023. Moreover, Blackwell's highly anticipated next-generation AI processor has proven more challenging to manufacture than expected. While this was disappointing, the company expects Blackwell production to ramp up in the fourth quarter after implementing changes to improve the chip's production yield. Moreover, while some bearish analysts noted the first narrowing in profit margins in eight consecutive quarters, Nvidia still retains more than 50% of its revenue—over five times the average for an S&P 500 company. **The results and outlook are unlikely to lower the sky-high expectations for a stock that trades at ~35 times on a blended twelve-month forward P/E ratio basis.** The post-earnings dip is also minor, considering the stock is still up 140% year-to-date. While markets punished Nvidia for failing to meet its lofty expectations, it is worth noting that traders quickly moved past the results, pushing the broader market higher following an upward revision in the Q2 US GDP report (more below).*

MACKENZIE Investments

Weekly Market Snapshot

For the week ending August 30, 2024

US economy remains in soft landing territory

Global equities pushed higher, securing their fourth consecutive monthly gain in August, ahead of September—historically known as the worst month for equities. The gains come despite Nvidia's much-anticipated earning release, which was *good but not good enough* (see chart comments for more). While markets reassess the group of AI stocks that have dominated markets over the past two years, defensive areas of the market in the S&P 500, including consumer staples and utilities, have reached new 52-week highs. A reassessment of the AI trade alongside the uninversion of the we 2s10s yield curve could be driving this rotation. Although an inverted yield curve is often seen as a precursor to a recession, **the uninversion back into positive territory has historically been the true signal to watch.** As of Friday's close, the 2s10s curve is barely negative at -2 bps. Meanwhile, crude oil prices continued to exhibit weakness, as the downward pressure from the expected OPEC+ 180k/bpd supply boost outweighed the impact of the halt in Libyan exports. Lastly, Canada has followed the lead of the US and EU by announcing a 100% tariff on Chinese EVs and a 25% tariff on imported steel and aluminum from China.

The US economy continues defying expectations after Q2 real GDP was revised to a 3.0% q/q annualized rate from the initial 2.8%. Importantly, this upward revision was driven by stronger-than-expected personal consumption, suggesting that the US consumer remains resilient. July's PCE data further supported this view, showing that real spending rose at a solid 0.4% m/m rate. The Atlanta Fed's GDPNow forecast for Q3 is now tracking at a solid 2.5%, while the Fed's preferred inflation measure, the Core PCE Price Index, held steady at 2.6% y/y in July. **These data points suggest the US economy is still on track for a soft landing.** However, **signs of a gradual slowdown persist.** While Q2 and July consumption data point to a steady US consumer, much of the July increase came from a spike in vehicle sales, likely due to a recovery from the June cyberattack on auto dealers. Moreover, Americans continue to fuel their spending with their savings, which has now fallen to 2.9%, the lowest in over two years. **More granularly, the strain is more pronounced among lower-income groups.** Dollar General shares plunged over 30% last week after management noted that its core customer base—typically lower-income earners—were feeling stretched. **Whether the US economy ultimately falls into a recession will likely depend on the labour market, making this week's nonfarm payrolls report another critical one.**

Another Canadian bank earnings season has come to a close with mixed results. Credit quality and revenue growth continued to be key factors determining the winners and losers in the fiscal third quarter ending July 31. TD Bank's first quarterly loss in 21 years was perhaps the most notable report, driven by a US$2.6 billion provision to cover anticipated regulatory fines related to its AML failures. Meanwhile, BMO profits missed analyst estimates due to nearly doubling its provision for credit losses (PCL) to $906 million. Despite BMO's miss dragging its shares lower, the rest of the group saw their shares rise on earnings beats. RBC reached an all-time high after setting aside lower-than-expected PCLs and reporting strong performance in its domestic business. National Bank shares also hit a record high after posting broadbased revenue growth across its business segments. Nevertheless, higher for longer interest rates, economic uncertainty and a slowing consumer have weighed on the S&P/TSX Composite Bank index (+7%) relative to the broader TSX Composite (11%).

With credit concerns continuing to swirl, the future performance of bank stocks will likely hinge on the Canadian economy. While real GDP grew at a stronger-than-expected 2.1% annualized rate in Q2, **the growth was primarily driven by government spending.** Consumer spending remained modest, rising just 0.2%. **Moreover, the Q2 expansion occurred despite another quarter of strong population growth**, dragging GDP per capita lower. Looking ahead, while the Canadian economy did see solid growth in the spring months, **it appears growth has downshifted in the summer**, as growth was flat in June and StatCan's flash estimate for July is pointing to the same. The good news is that the Bank of Canada is set to deliver its third consecutive cut this Wednesday, potentially alleviating some of the credit concerns affecting the banks. **If the banks can navigate through their credit issues, they may be positioned to outperform the broader market ahead.**

The week in review

- Canadian real GDP (Jun.) expanded 2.1% q/q annualized (versus 1.8% expected), after the prior month's upwardly revised 1.8% gain. In annual terms, real GDP has risen 1.2% y/y. However, the slightly better-than-expected Q2 results showed some deceleration into the summer, as both growth in June, alongside the StatsCan's flash estimate for July came in flat.
- Canadian current account deficit (Q2) expanded to $8.48 billion (versus $6.00 billion expected), up from the $5.37 billion deficit in the prior month.
- US durable goods orders (Jul.) rebounded 9.9% m/m (versus 5.0% expected), after the prior month's downwardly revised -6.9% drop. However, orders excluding transportation fell -0.2%.
- US personal spending (Jul.) rose 0.5% m/m (in line with expectations), after the prior month's 0.3% gain. In real terms, spending rose 0.4%. Personal income rose 0.3% m/m (versus 0.2% expected). The savings rate eased further to 2.9%, the lowest level in over two years.
- The US Core PCE Price Index (Jul.) rose 0.2% m/m (in line with expectations), holding the annual pace steady at 2.6% y/y.
- US real GDP (Q2) was revised to 2.8% q/q annualized (versus 2.8% initially forecasted). The upward revision was driven by upgrade to personal consumption, which was 2.9% instead of 2.3% initially estimated.
- Eurozone CPI inflation (Aug.) decelerated to 2.2% y/y (in line with expectations), down from 2.9% in the prior month. Core prices slowed to 2.8% y/y from 2.9% in the prior month.
- Eurozone unemployment rate (Jul.) fell to 6.4% from 6.5%.
- China's central bank held interest rates steady, with its 1-year medium-term lending facility rate remaining at 2.30%.

The week ahead

- Bank of Canada monetary policy announcement
- US nonfarm payrolls and ISM PMI reports
- Canadian employment and trade data
- US Fed Beige Book
- Eurozone GDP and retail sales data
- Global PMIs