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Investments

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Monthly macro and markets update

April 2024



All data and charts as of April 1, 2024.



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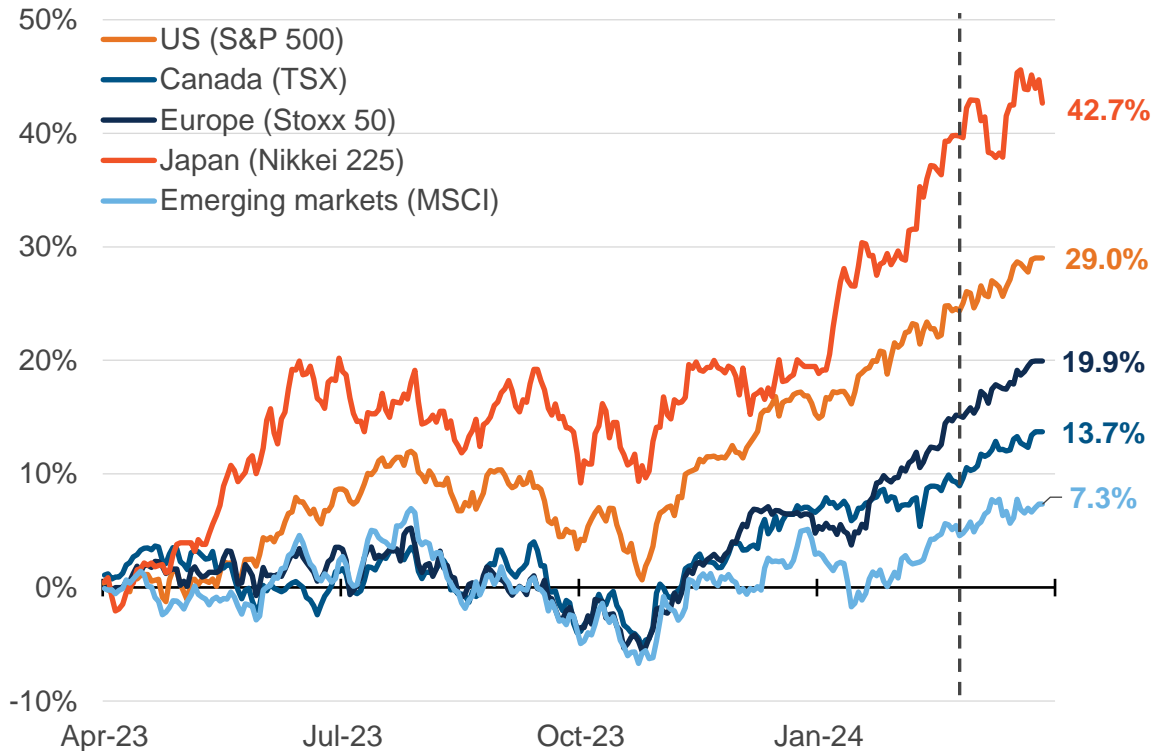
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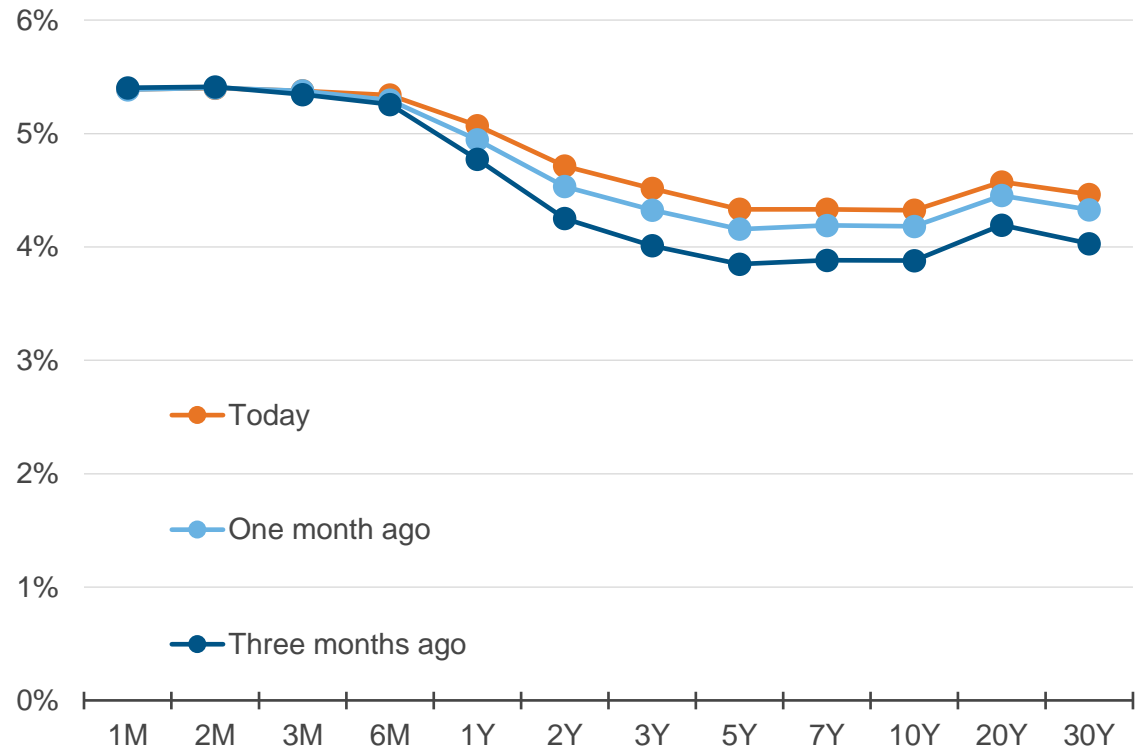
Market developments in the past year

The equity melt-up broadened out in March Stock market indices



Rates rose as the global economy showed signs of resilience

U.S. Treasury yields by maturity

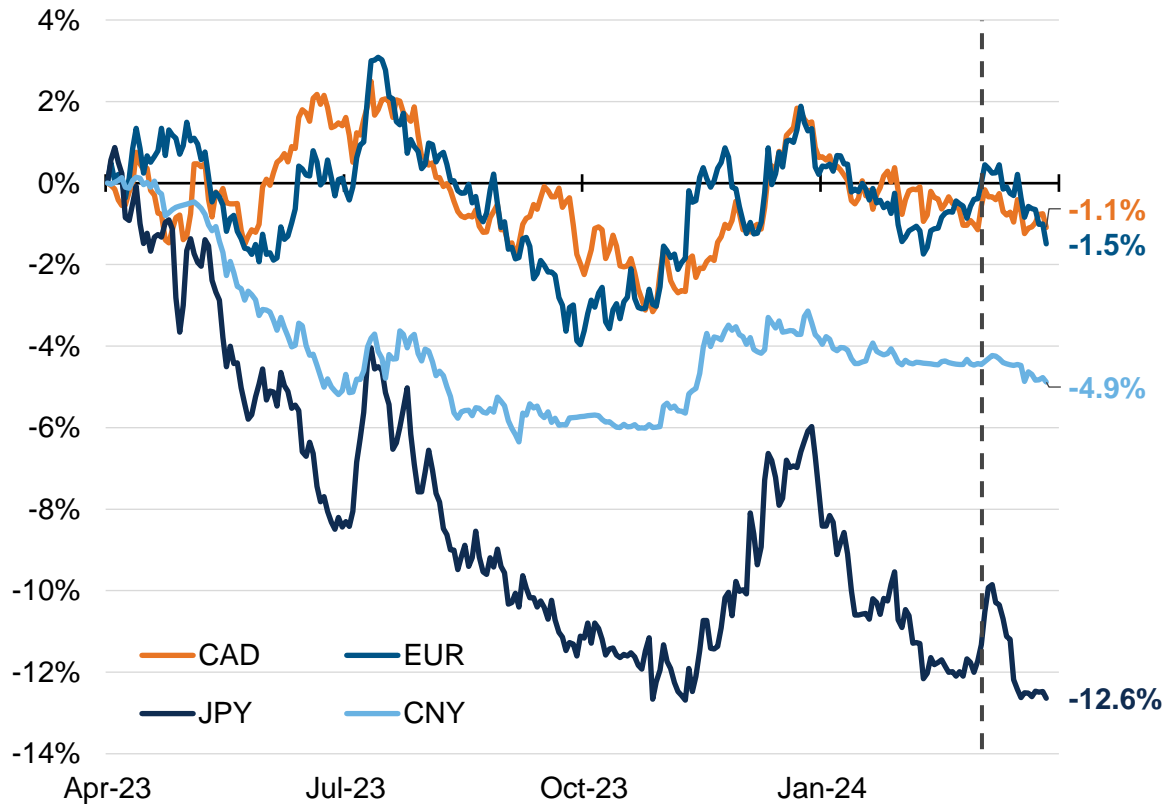




Market developments in the past year (cont'd)

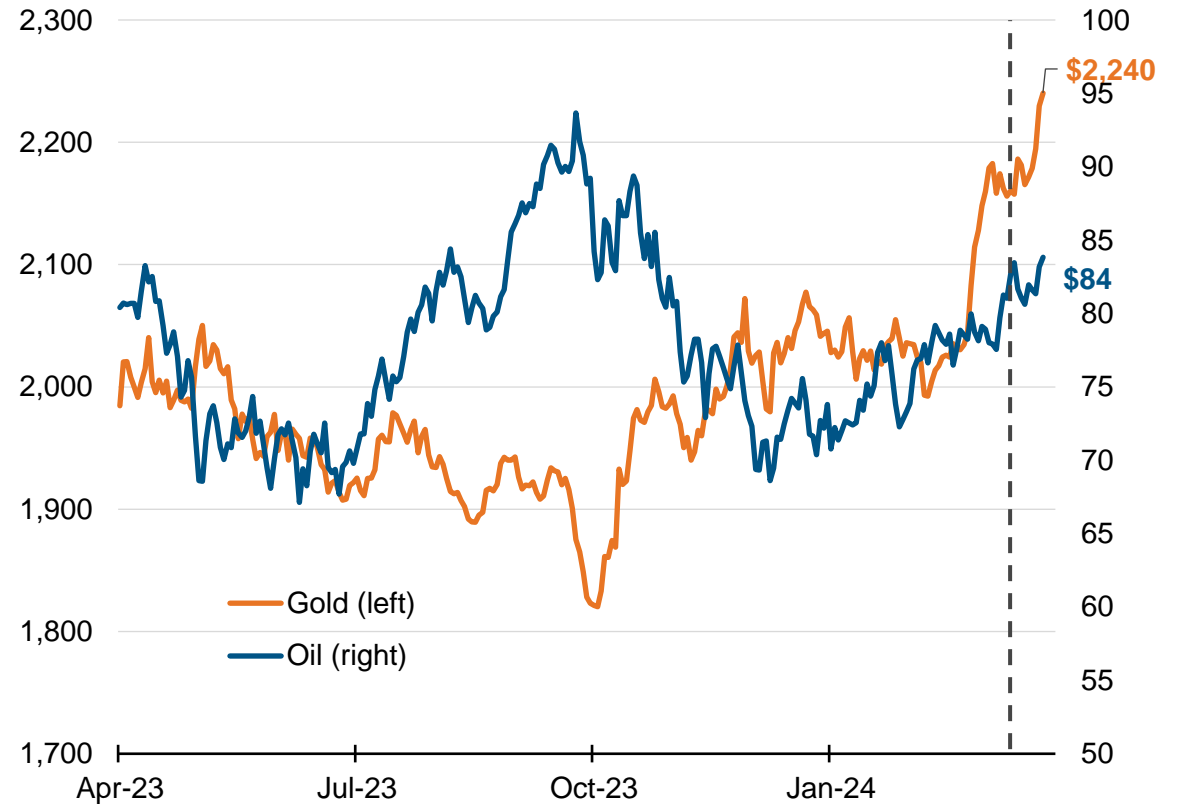
US\$ strength returned in March

Currencies relative to USD, change vs. one year ago



Gold has rallied among war and uncertainty

Commodity prices in US\$

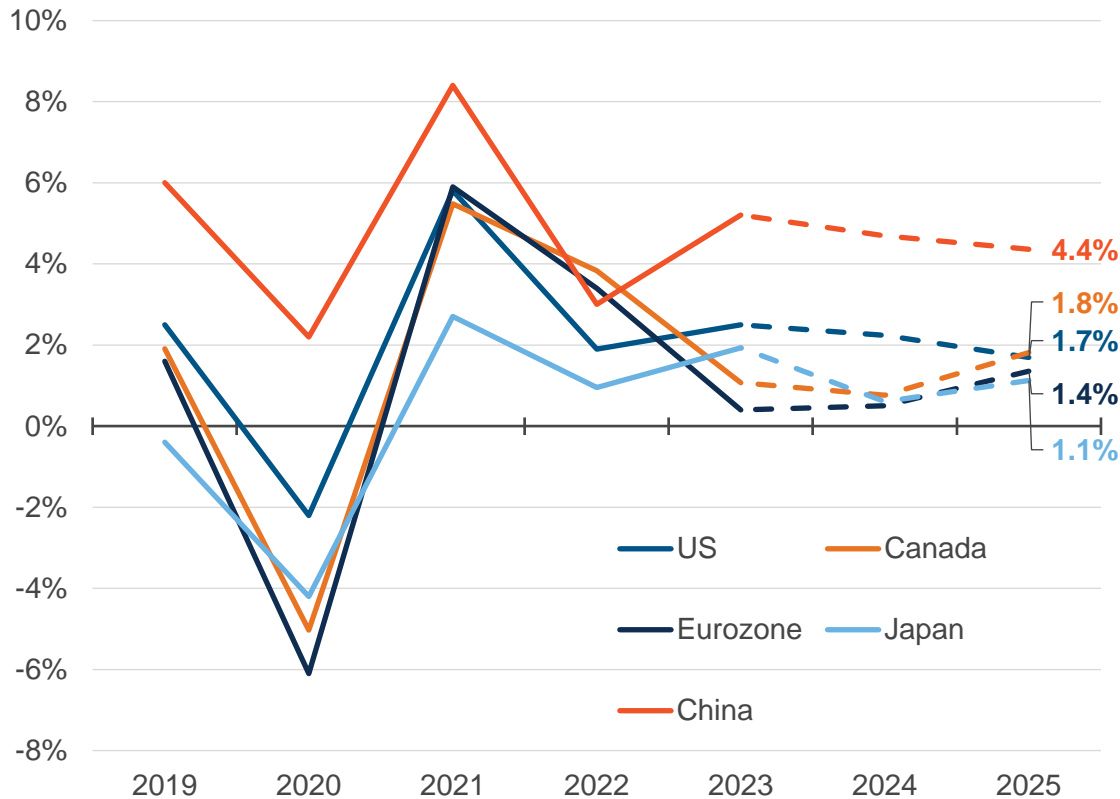




Consensus macro forecasts

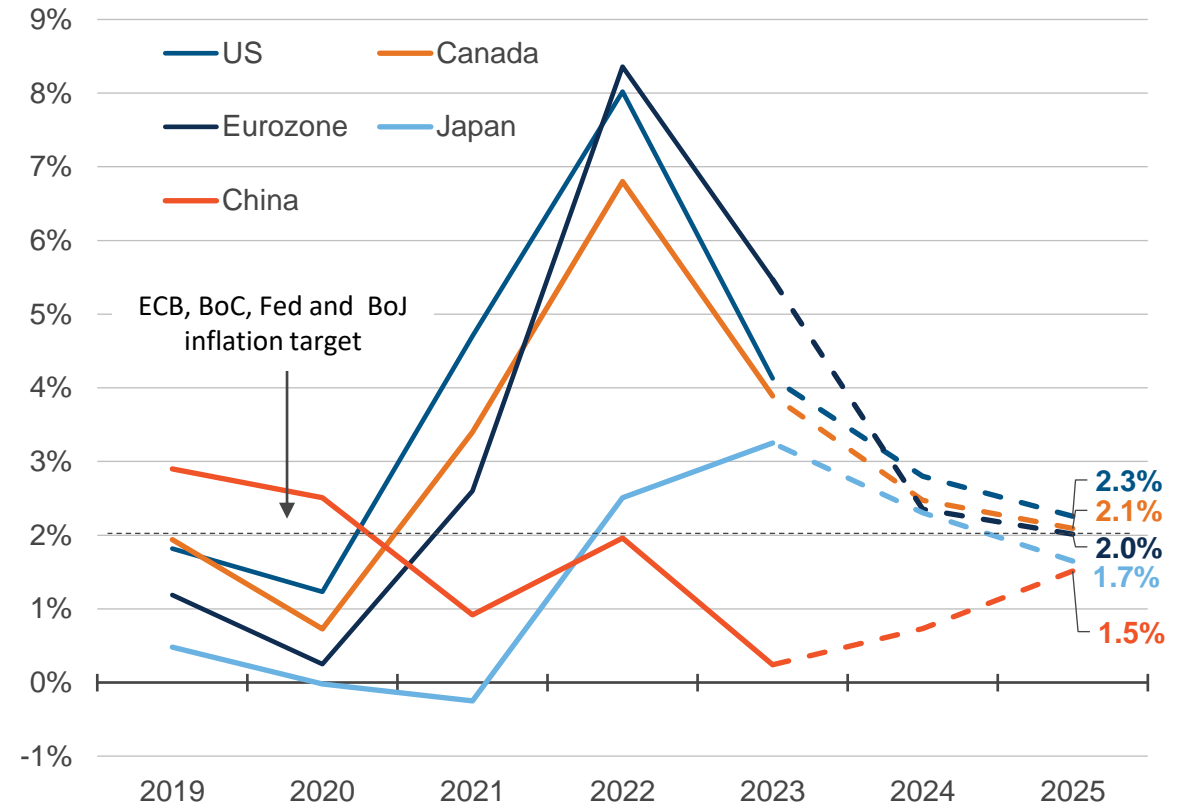
Developed economies expected to slow in 2024

Consensus GDP growth forecast



Inflation is expected to moderate towards 2% in 2025

Consensus CPI inflation forecast

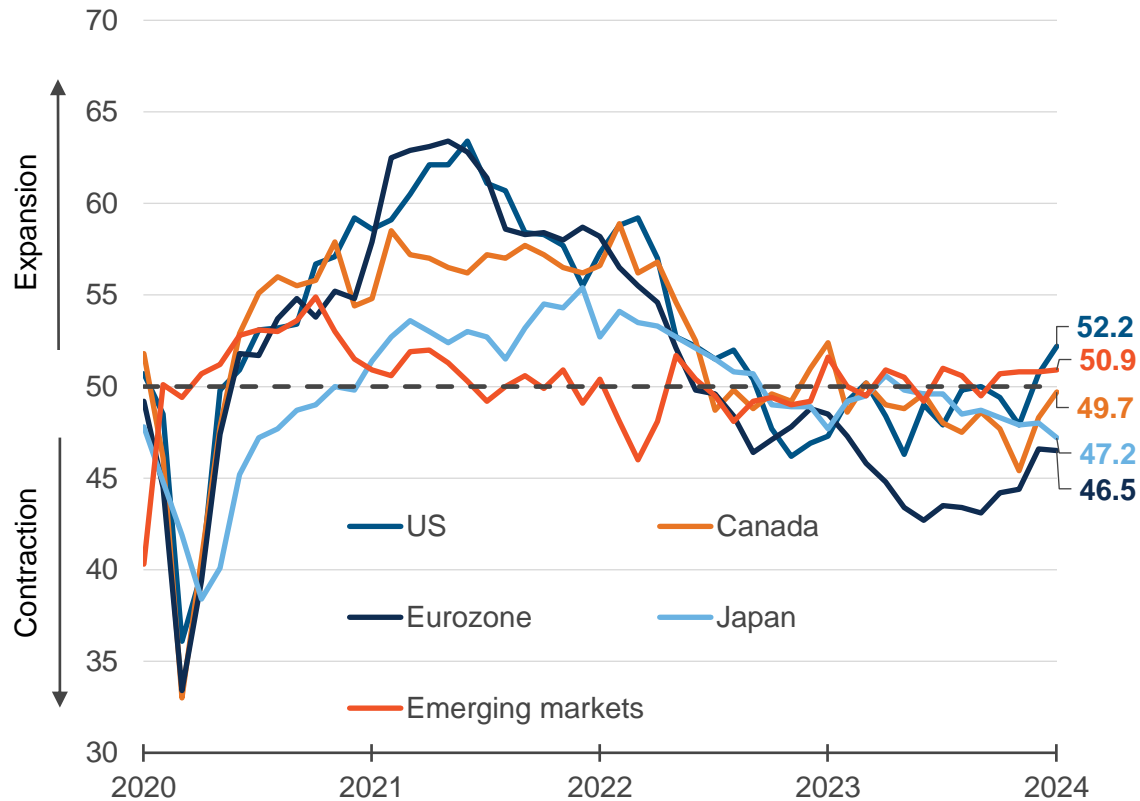




Economic leading indicators

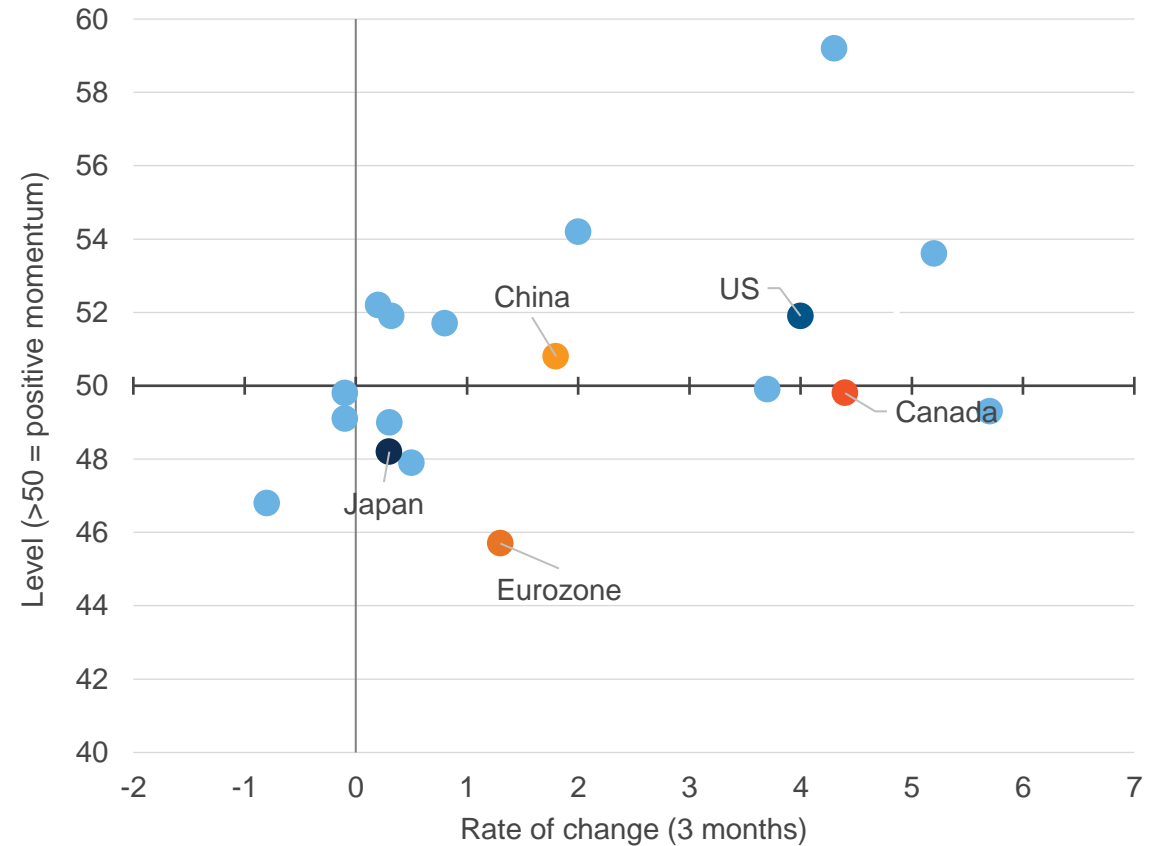
PMIs have been bouncing

Purchasing Managers' Index, major economies



Advanced countries' momentum is positive

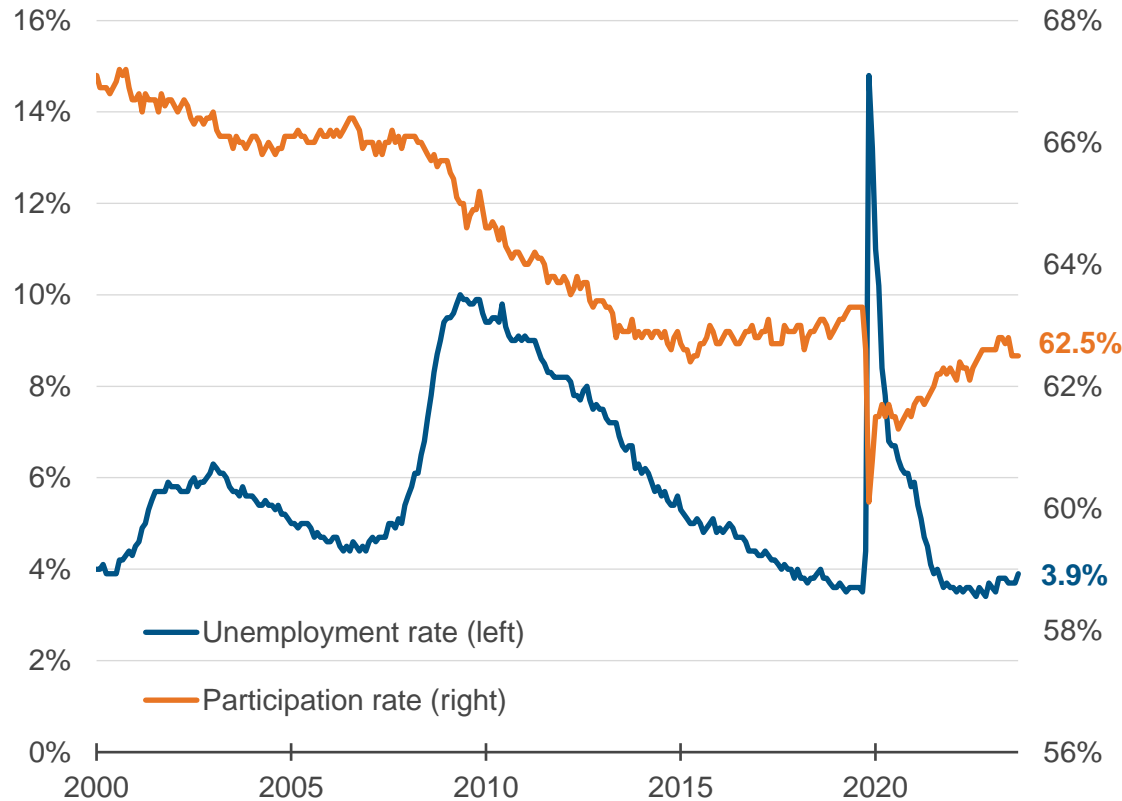
Purchasing Manager's Index, extended sample



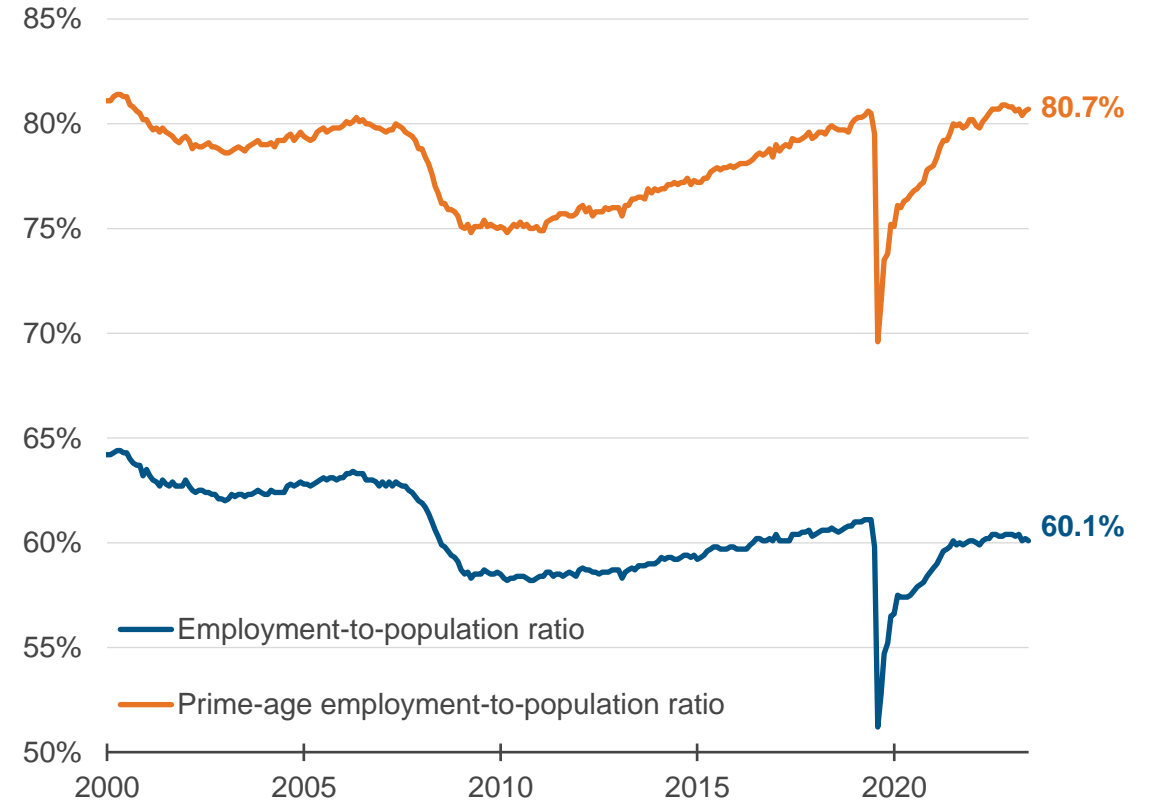


Employment, United States

Unemployment is inching up, but still very low
U.S. labour market indicators



Prime-age employment is above pre-pandemic level
U.S. labour market indicators

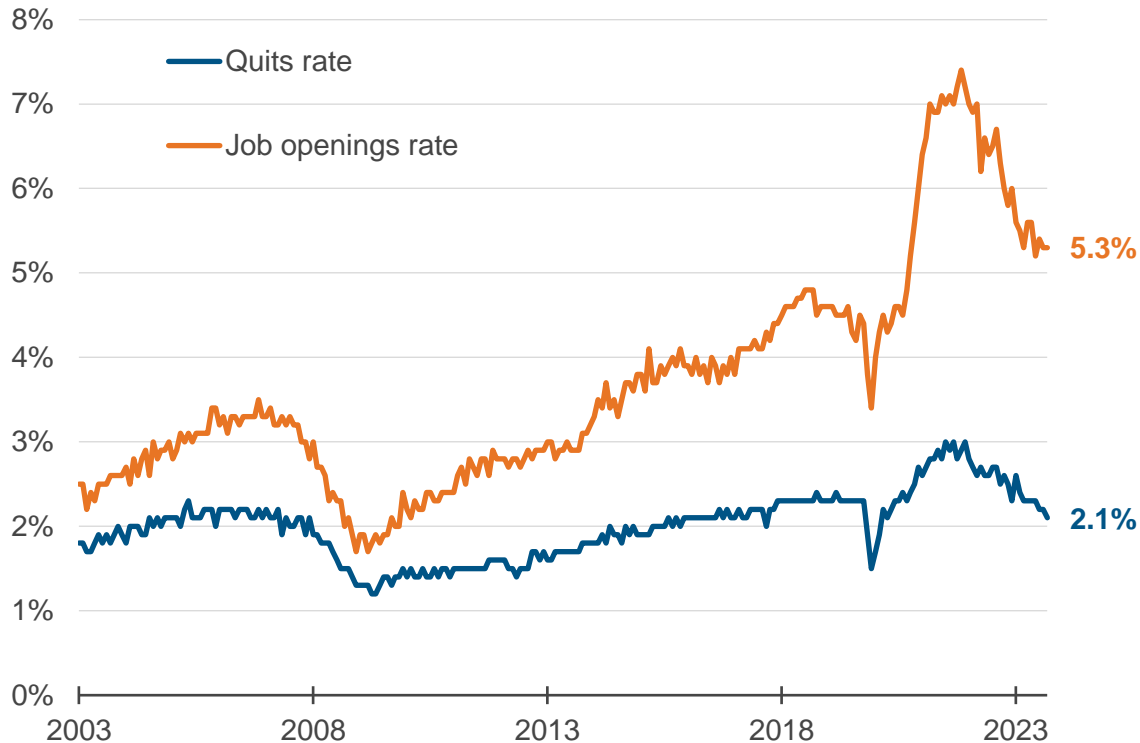


Data via Bloomberg. Participation rate is the ratio of all labour market participants (employed and unemployed) to working-age population; a higher participation rate means that a higher share of the population is either working or looking for a job. The employment-to-population ratio is the ratio of employed workers to the total population, while the "prime-rate" version of the indicator only considers individuals in the 25-54 age group.

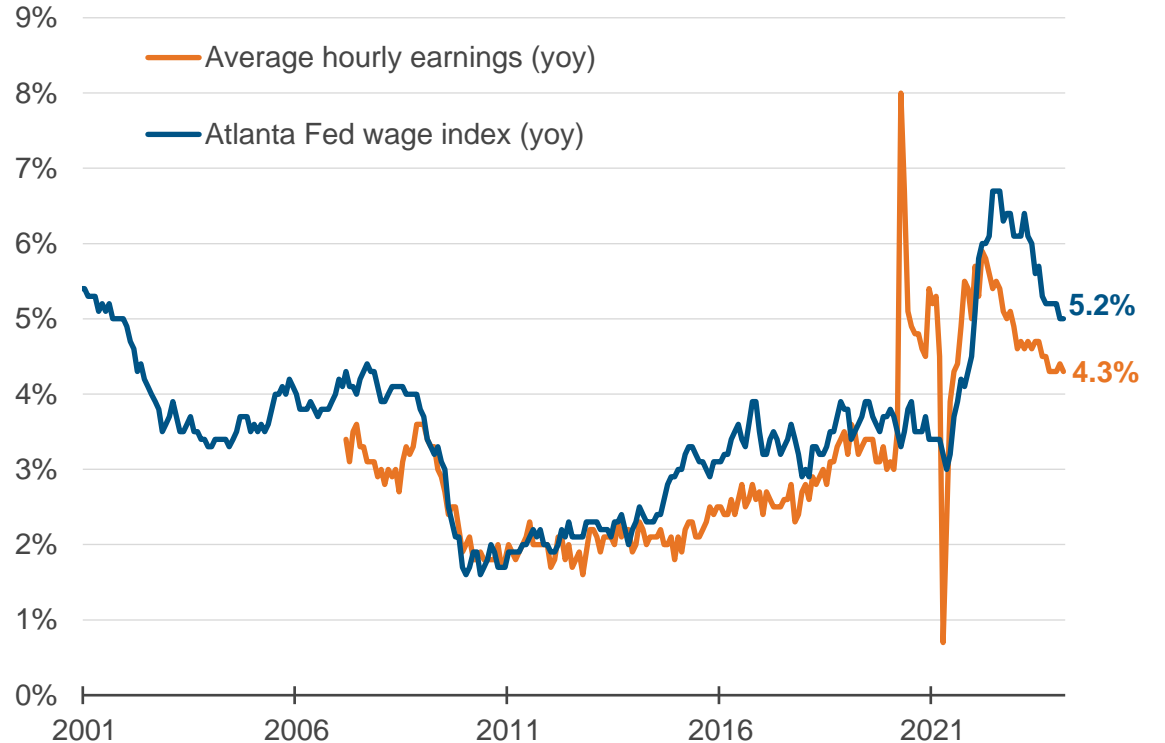


Employment, United States (cont'd)

Openings have normalized in recent months
U.S. JOLTS indicators



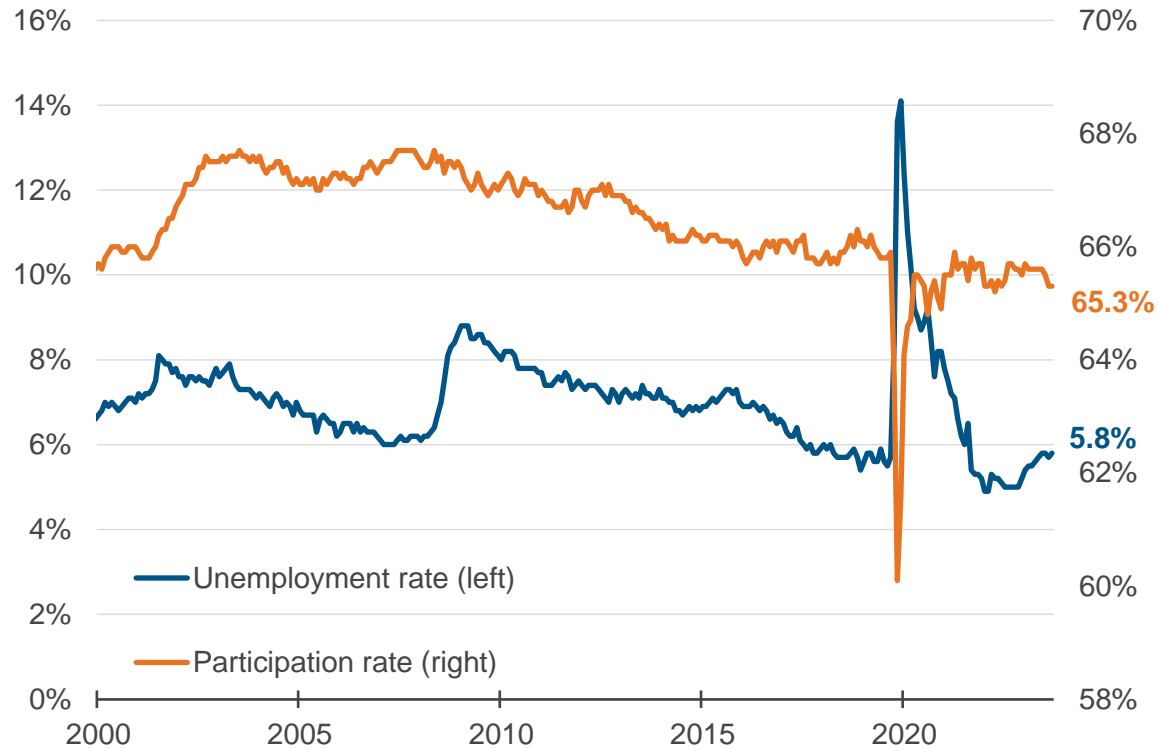
Wage growth has peaked, but is still reflecting the market tightness
U.S. wage indicators



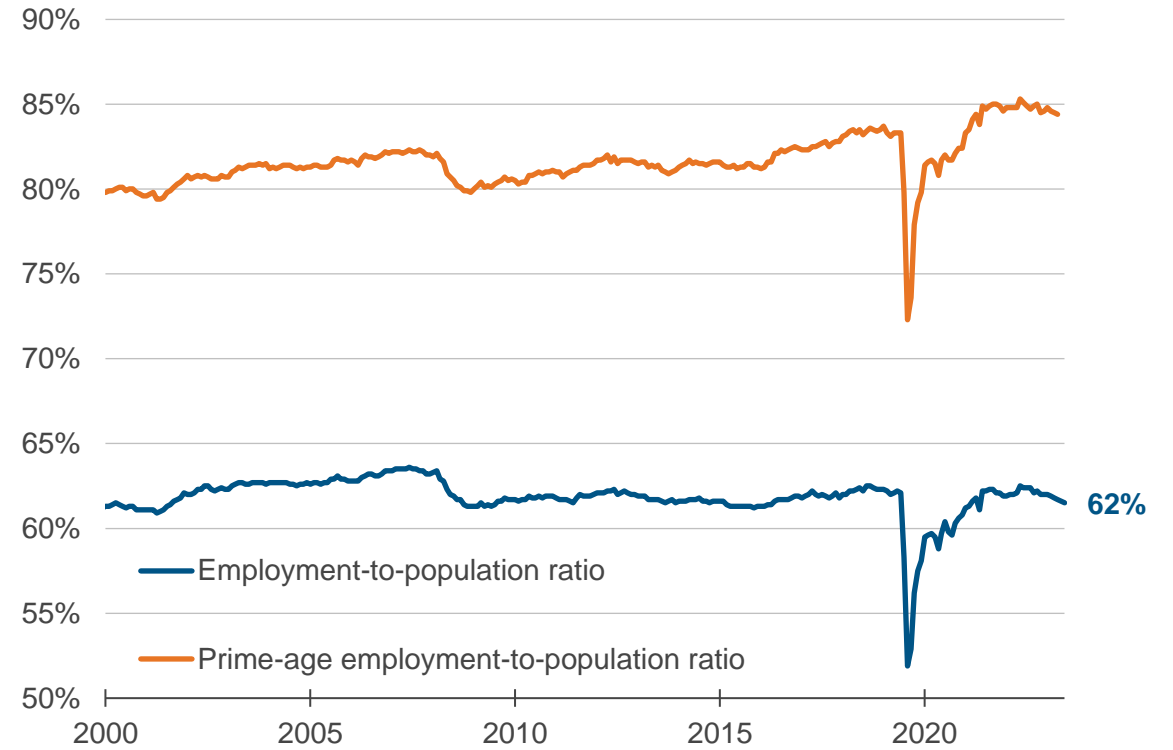


Employment, Canada

The labour market has clearly turned Canada labour market indicators



Employment rate for 25-54s is still above pre-pandemic levels Canada labour market indicators



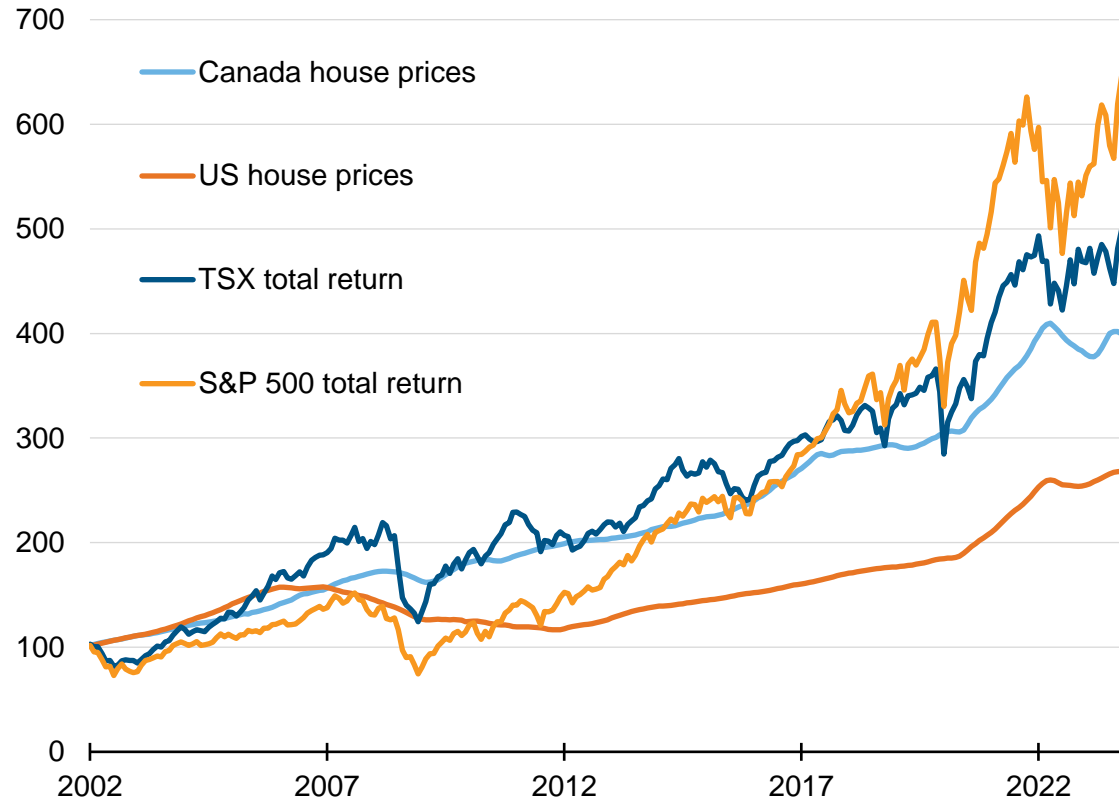
Data via Bloomberg. Participation rate is the ratio of all labour market participants (employed and unemployed) to working-age population; a higher participation rate means that a higher share of the population is either working or looking for a job. The employment-to-population ratio is the ratio of employed workers to the total population, while the “prime-rate” version of the indicator only considers individuals in the 25-54 age group.



Housing

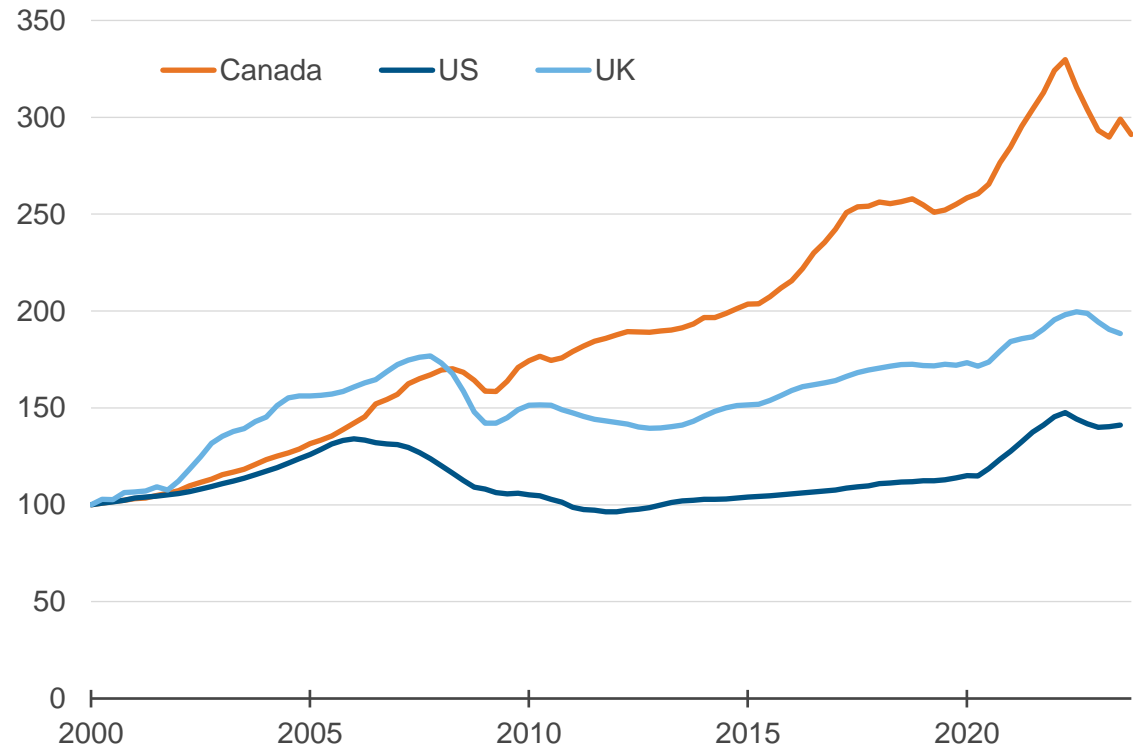
House prices bounced in 2023

House prices and equities, Jan. 2002 = 100



Canadian home valuations have outpaced other countries

House price-to-rent indices, Jan. 2000 = 100





Housing, Canada

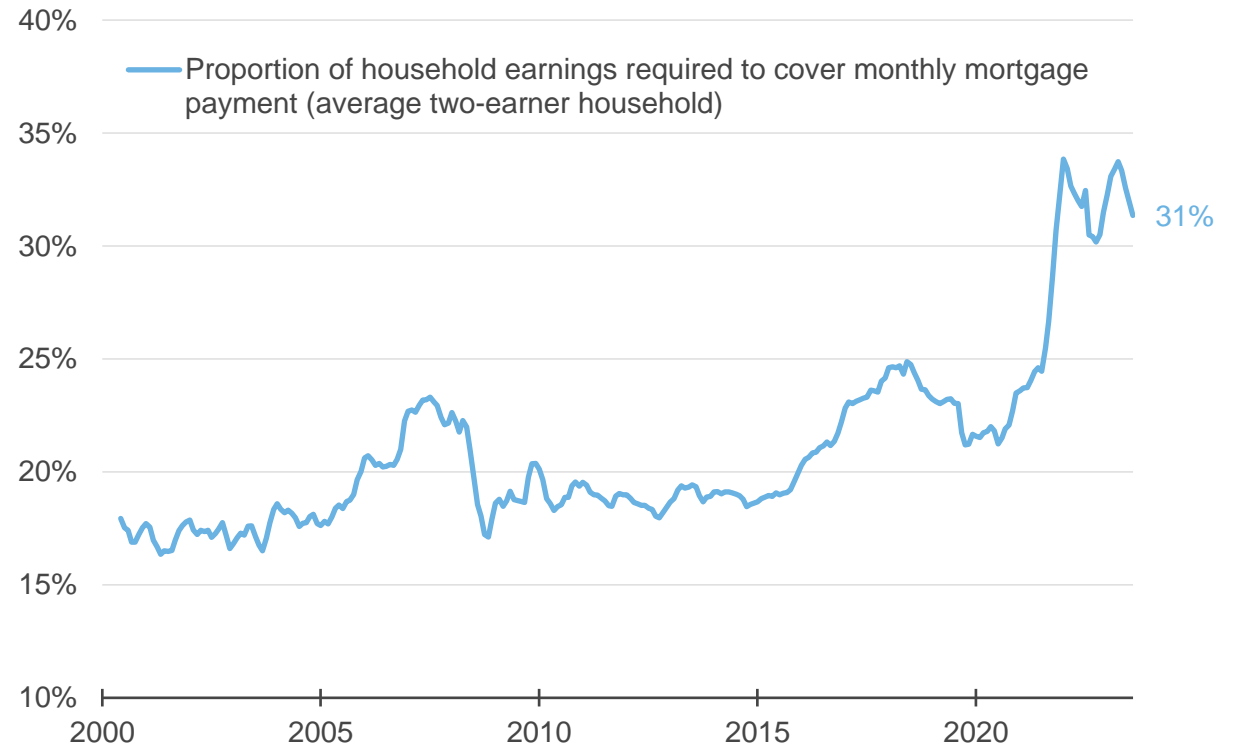
The effective cost of homeownership has more than doubled in 20 years

Affordability measure



Higher rates explain surging payments for new mortgages

Affordability measure

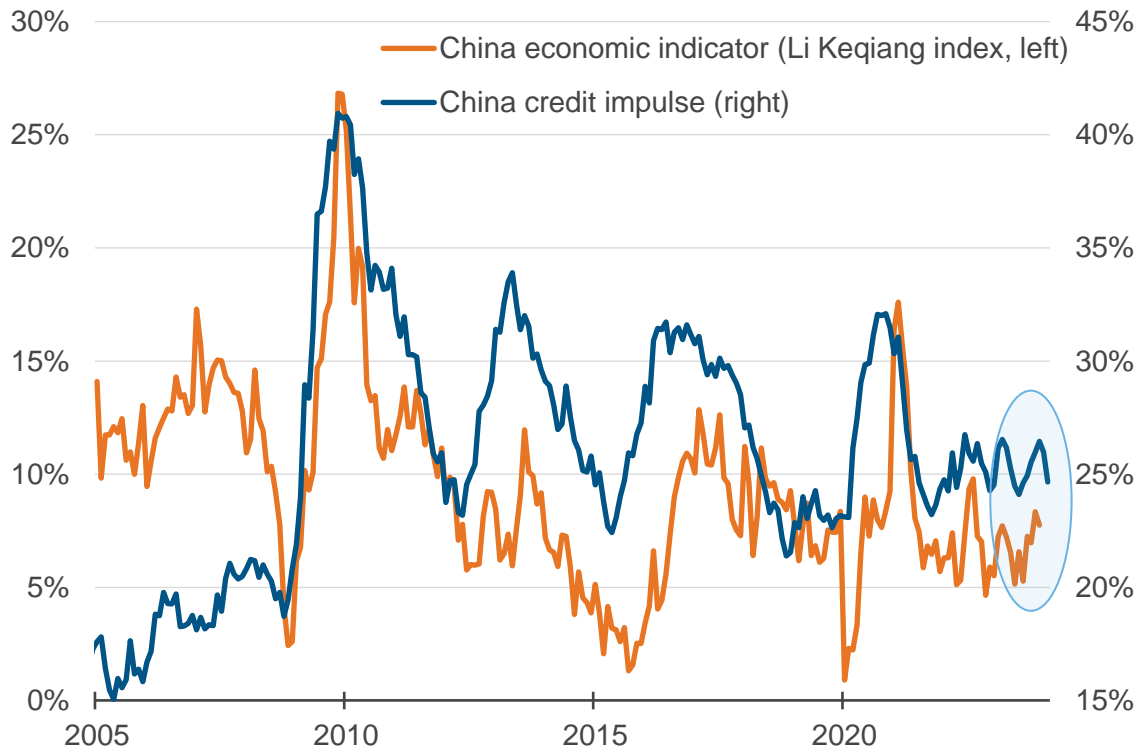




China

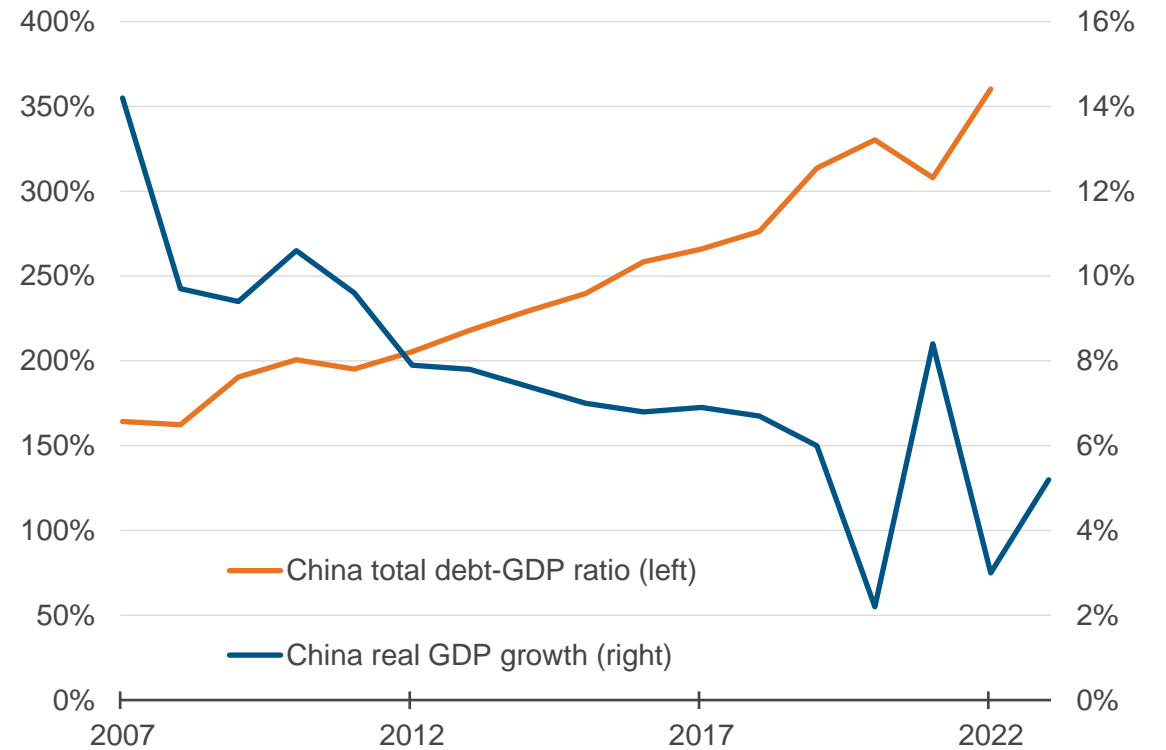
China's credit impulse failed to bounce with reopening

China economic indicator and credit impulse



Growth has rebounded, but stays below historical average

Debt and real GDP, China

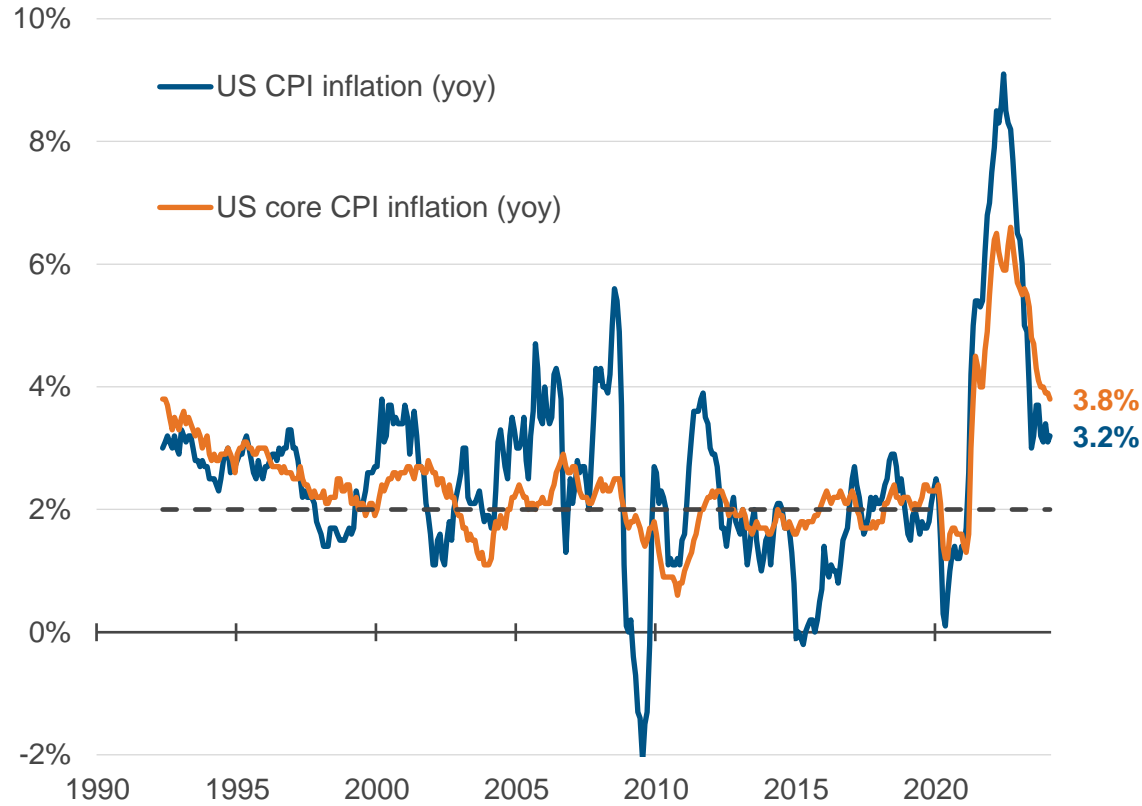




Inflation

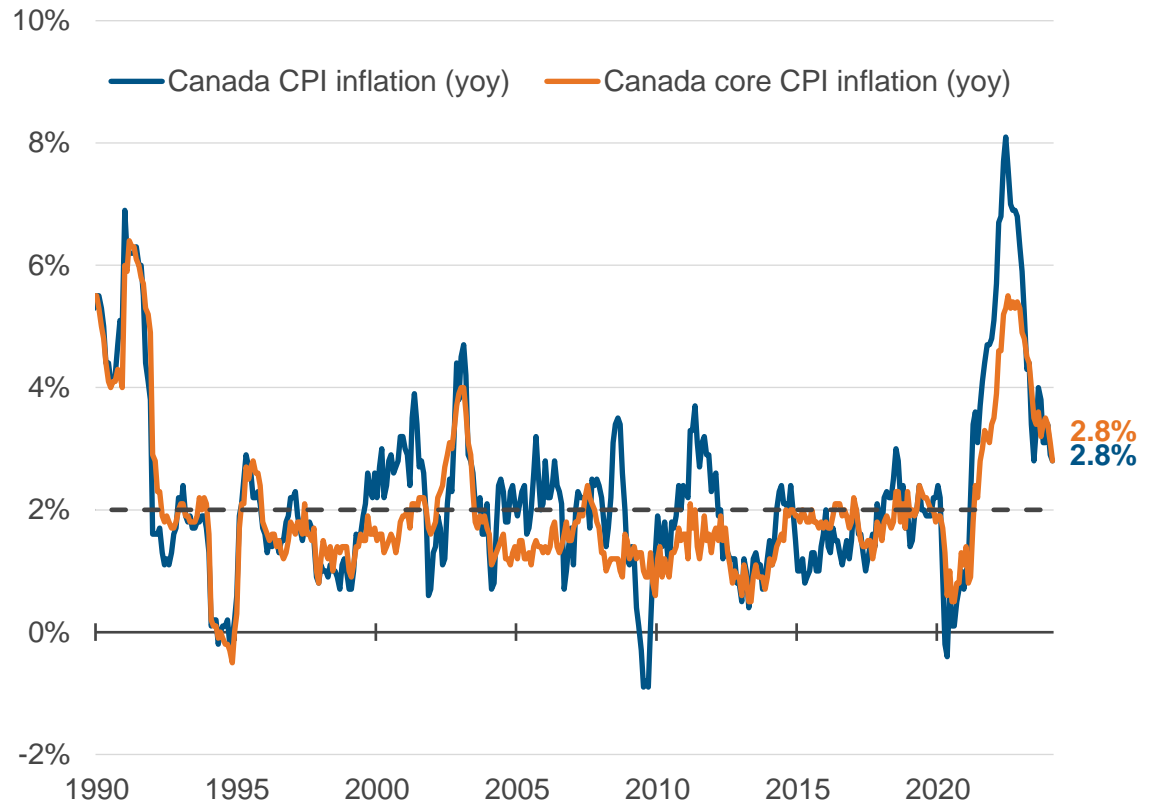
U.S. inflation will stick above 2%

U.S. inflation measures



Canadian inflation will quickly fall to 2%

Canada inflation measures

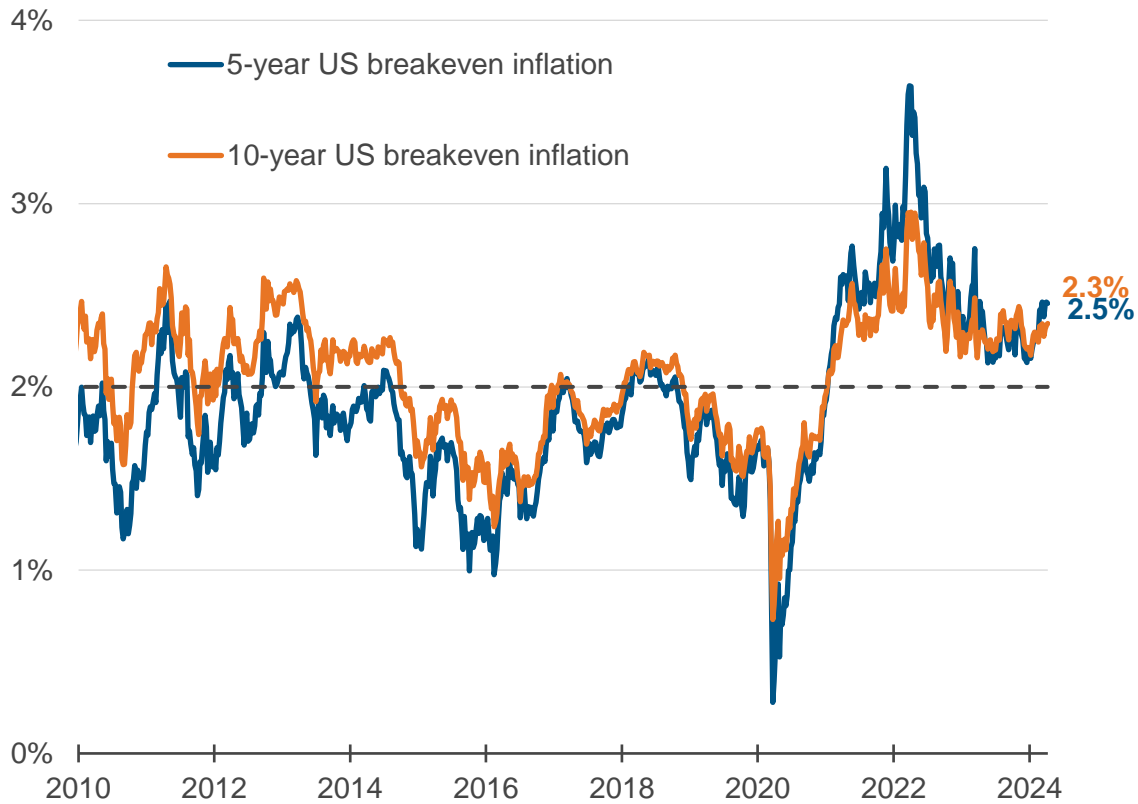




Inflation expectations

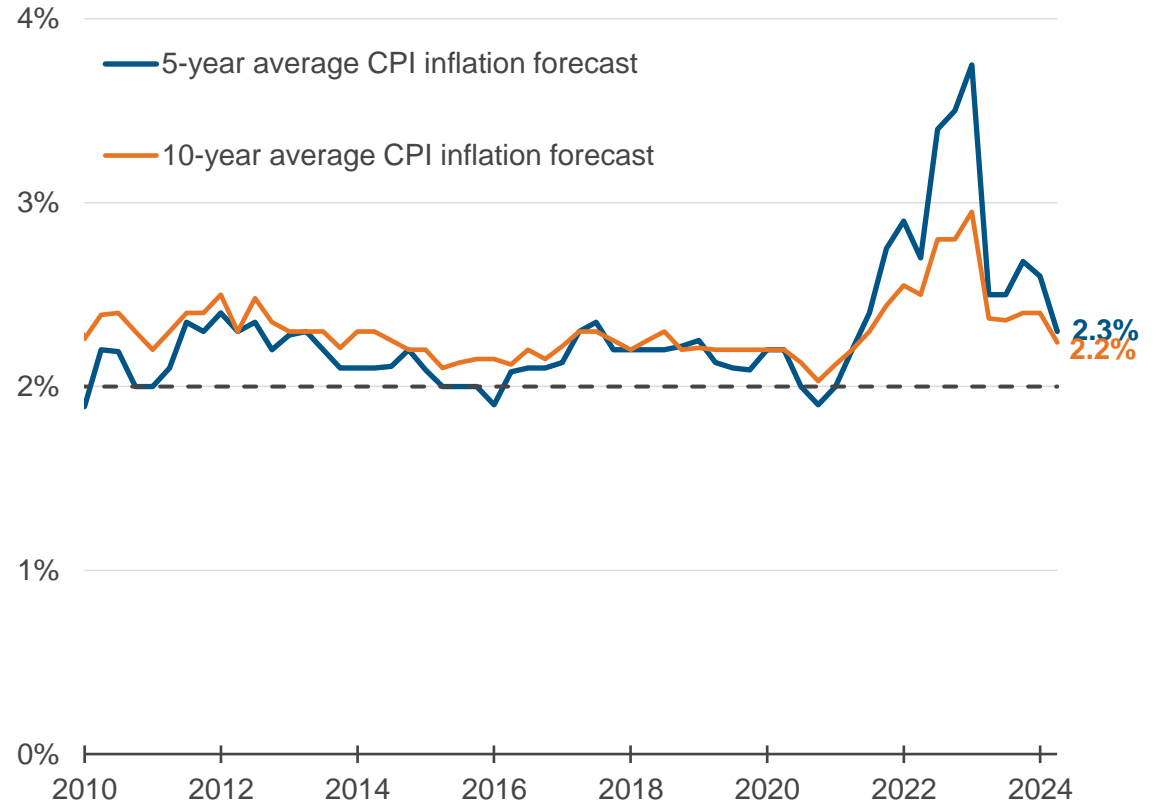
Market inflation expectations are back below 3%

Future U.S. inflation as implied by bond markets



Forecasters expectations are still a touch high

U.S. inflation forecast, Survey of Professional Forecasters



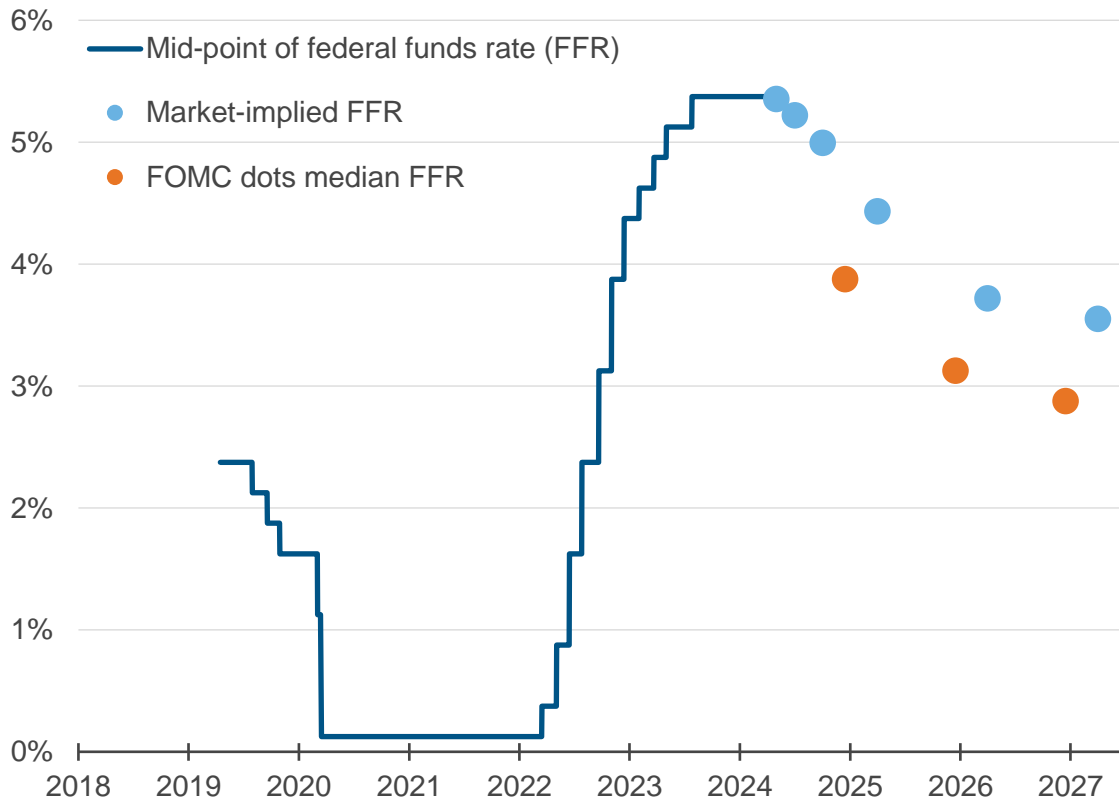
Data via Bloomberg. The chart on the right shows the average forecast of participants in the Philadelphia Fed's Survey of Professional Forecasters.



Federal Reserve policy

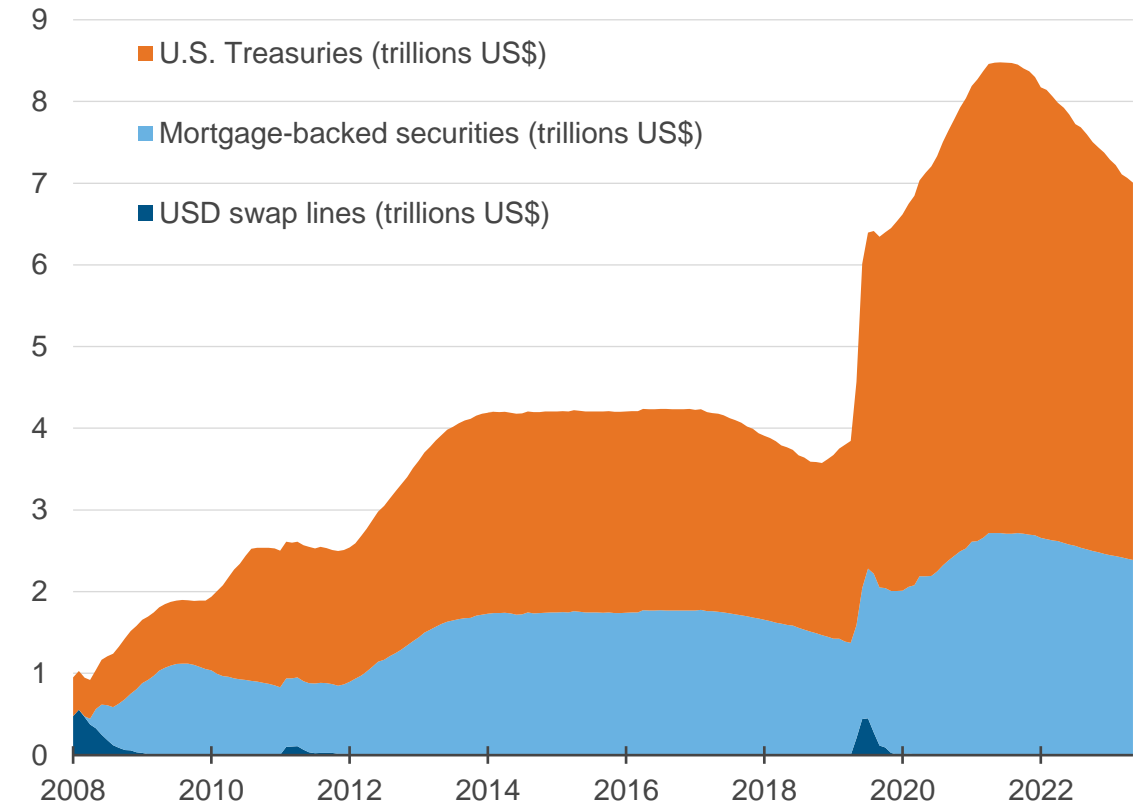
Markets think the Fed will start cutting soon

Policy rate expectations



The Fed is shrinking its balance sheet, slowly but surely

Fed balance sheet assets

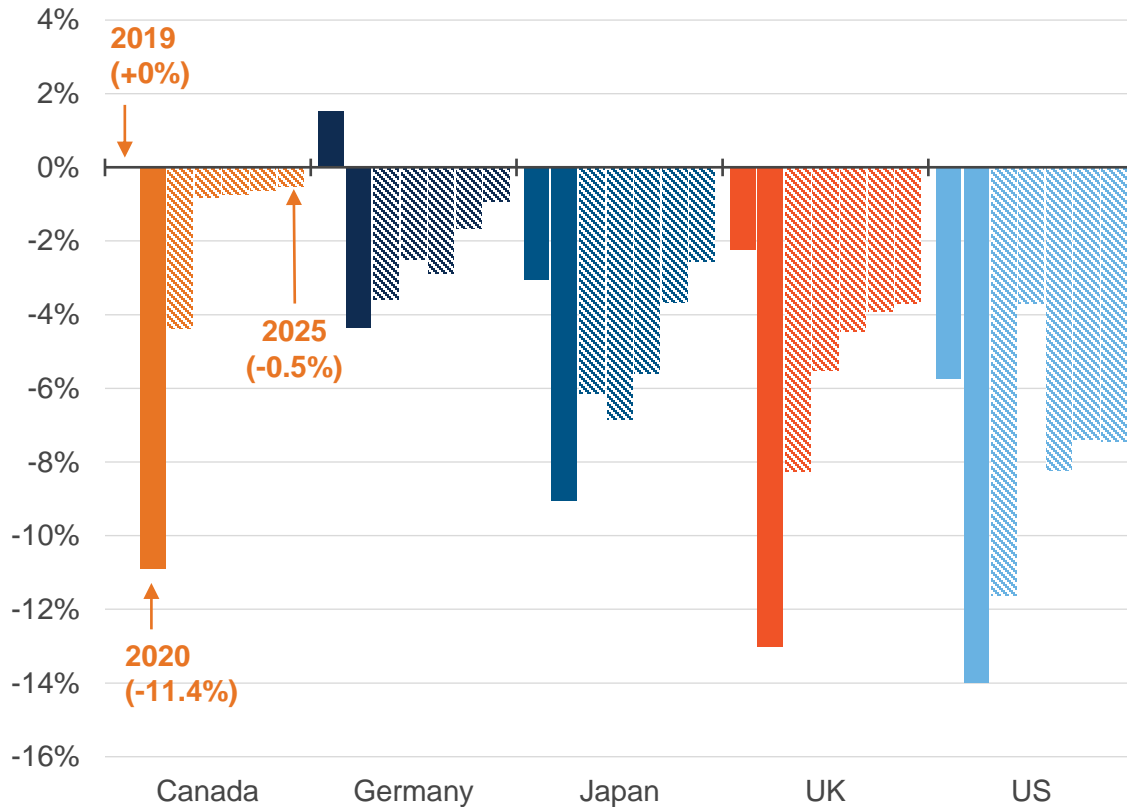




Global fiscal positions

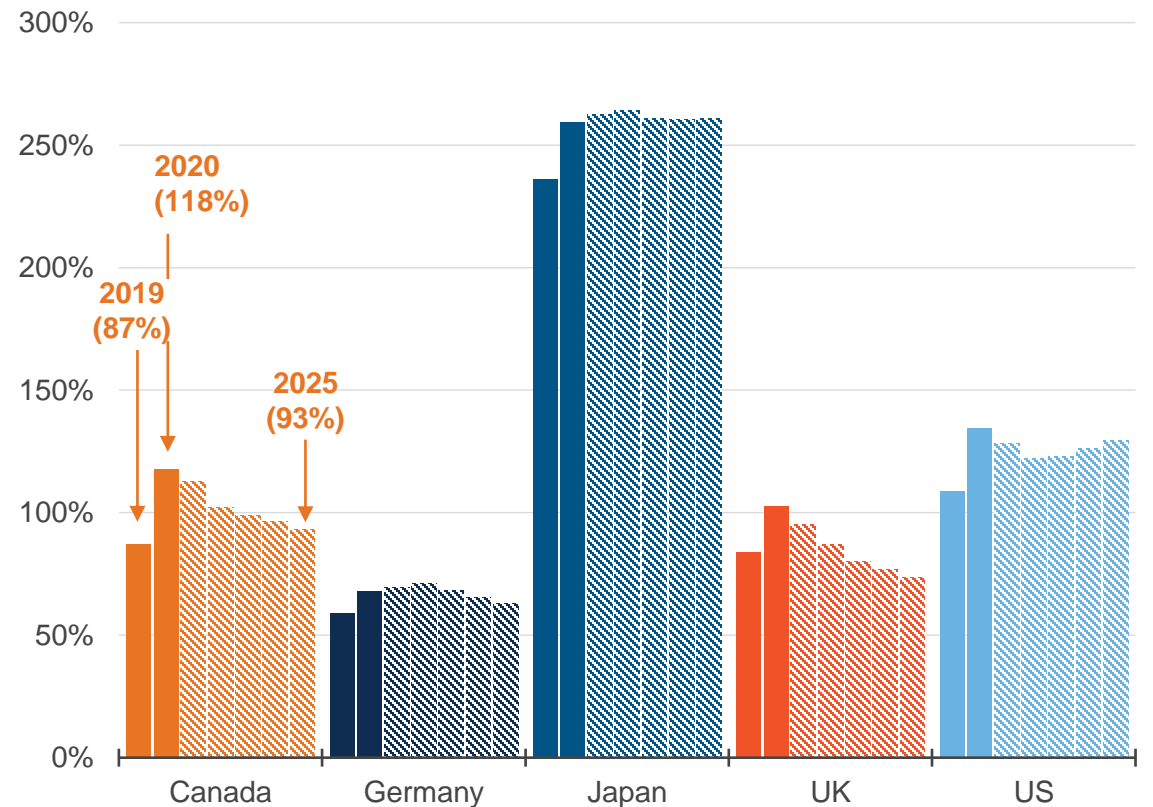
Deficits are expected to shrink in the next few years

General government deficits as a % of GDP, IMF forecasts



U.S. debt load will stabilize at new, higher level

General government debt-to-GDP ratios, IMF forecasts

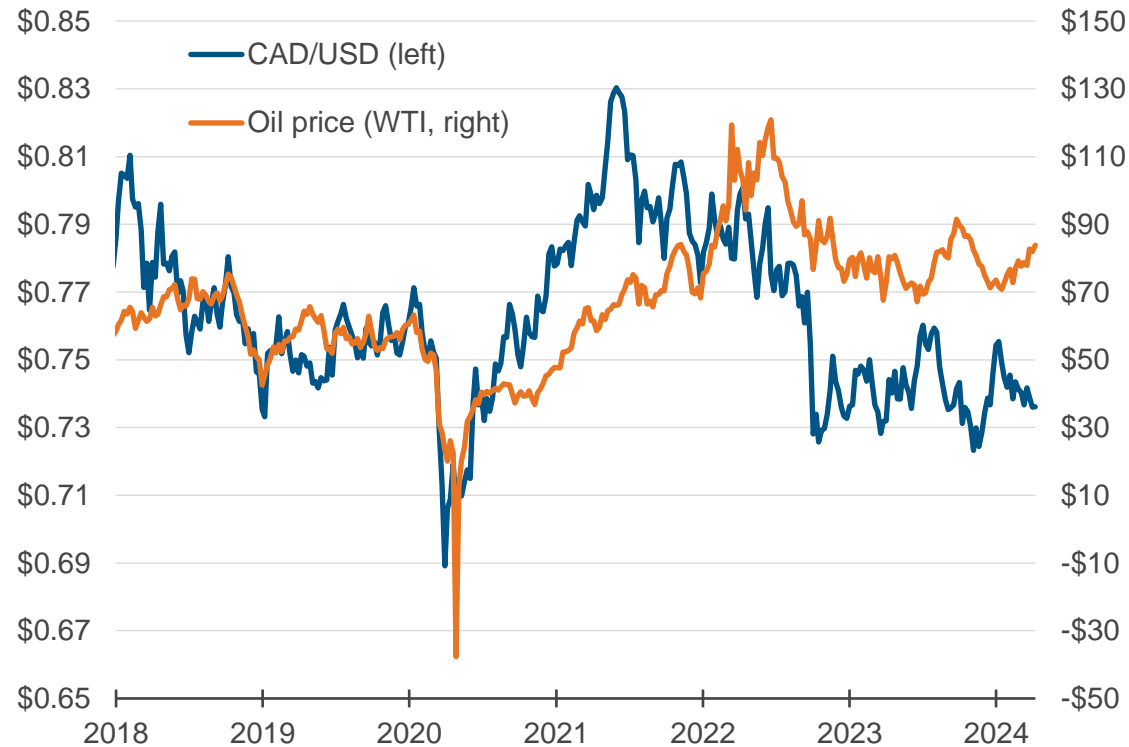




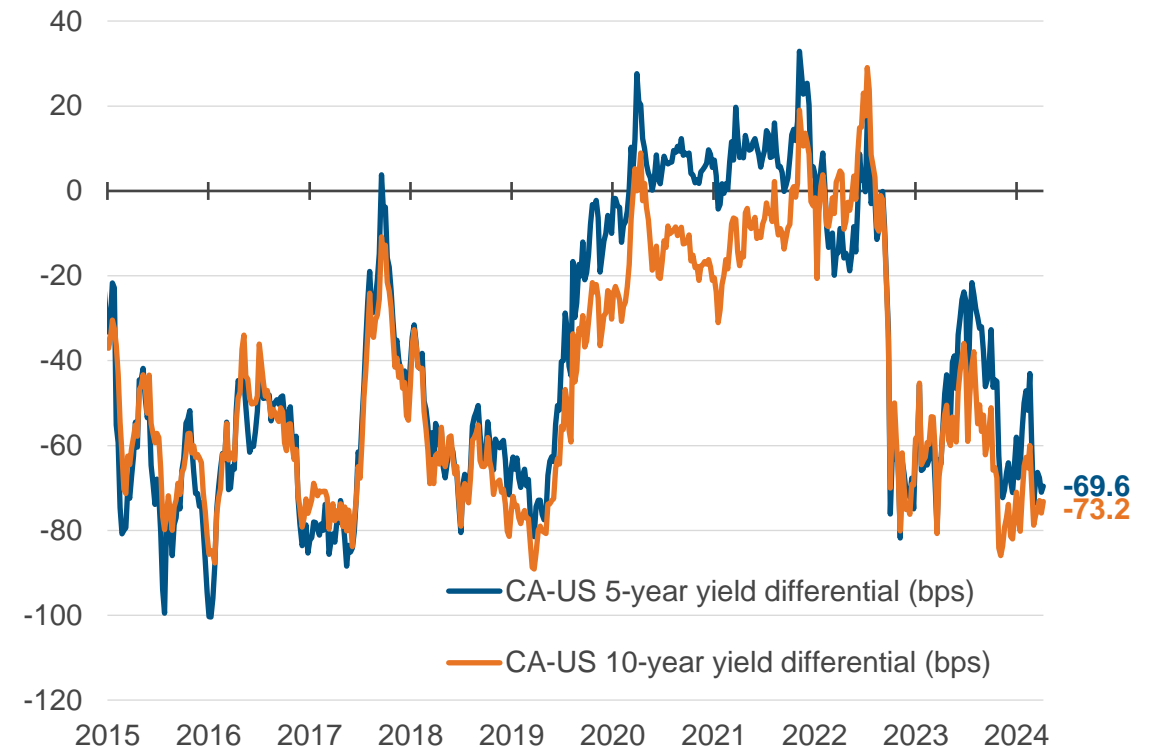
Canadian dollar

The CA\$ has been trading in the 0.72-0.76 range for a year

Canadian dollar exchange rate to US dollar



The CA-US “carry” is negative for the CAD
CA-US yield differentials, basis points

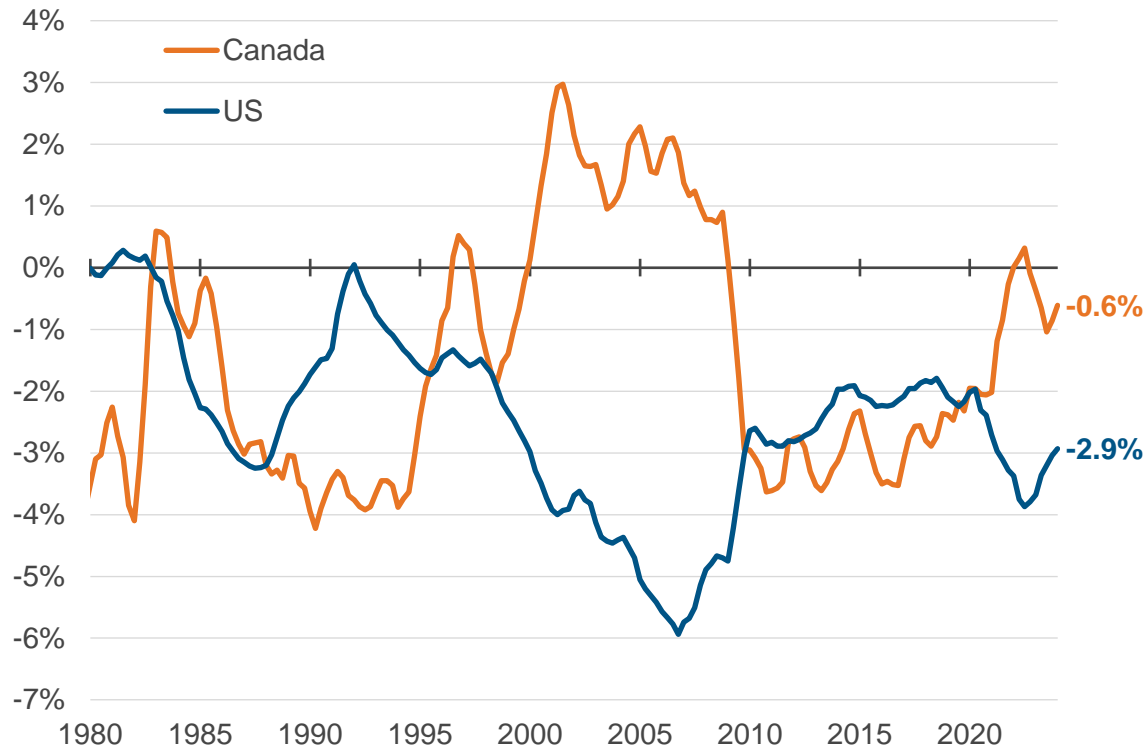




Canadian dollar, drivers

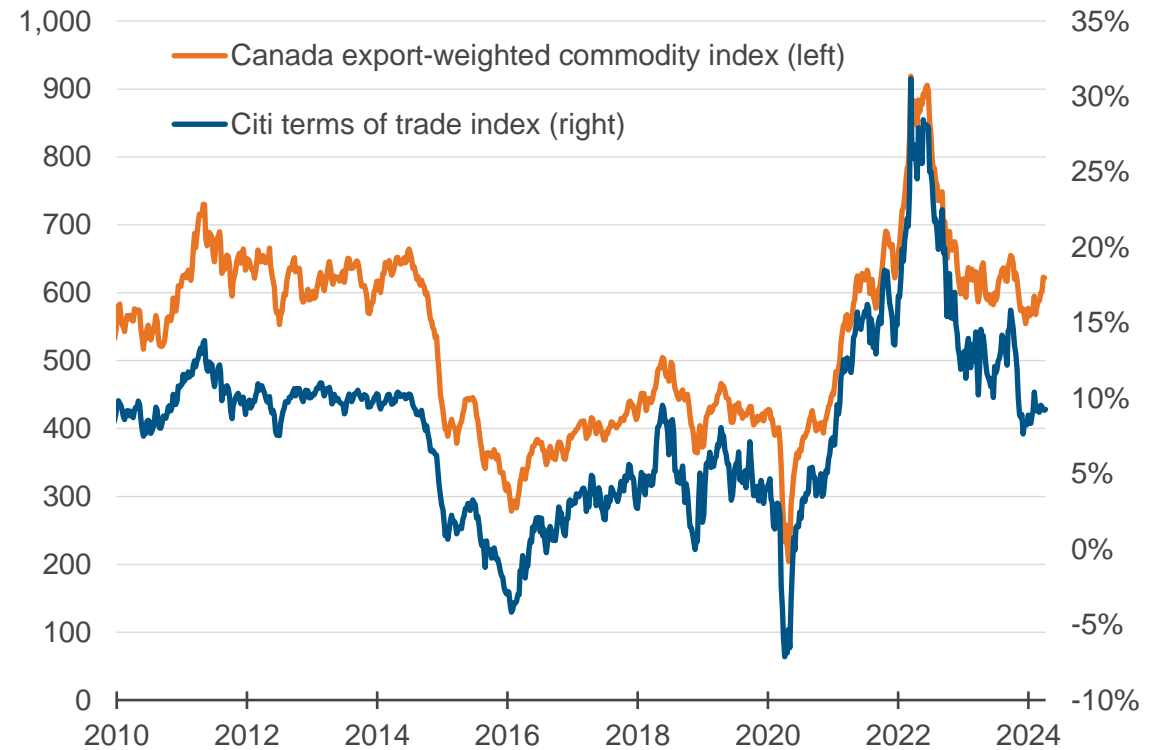
With lower commodity prices, the CA deficit has returned

Current account balances as a % of GDP



The price of Canada's exports stabilized in 2023

Measures of export prices, Canada



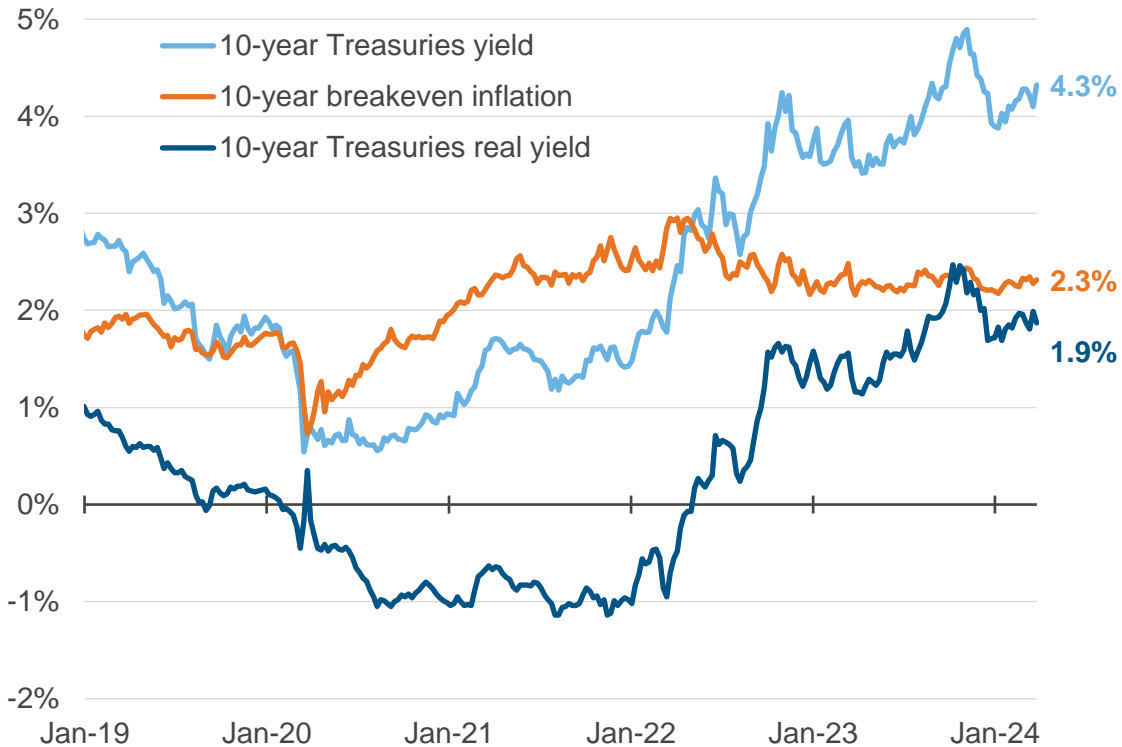
Data via Bloomberg. The Citi terms of trade index represents the ratio of Canada's commodity export prices to import prices, normalized to 0 in 1996.



Yields and interest rates

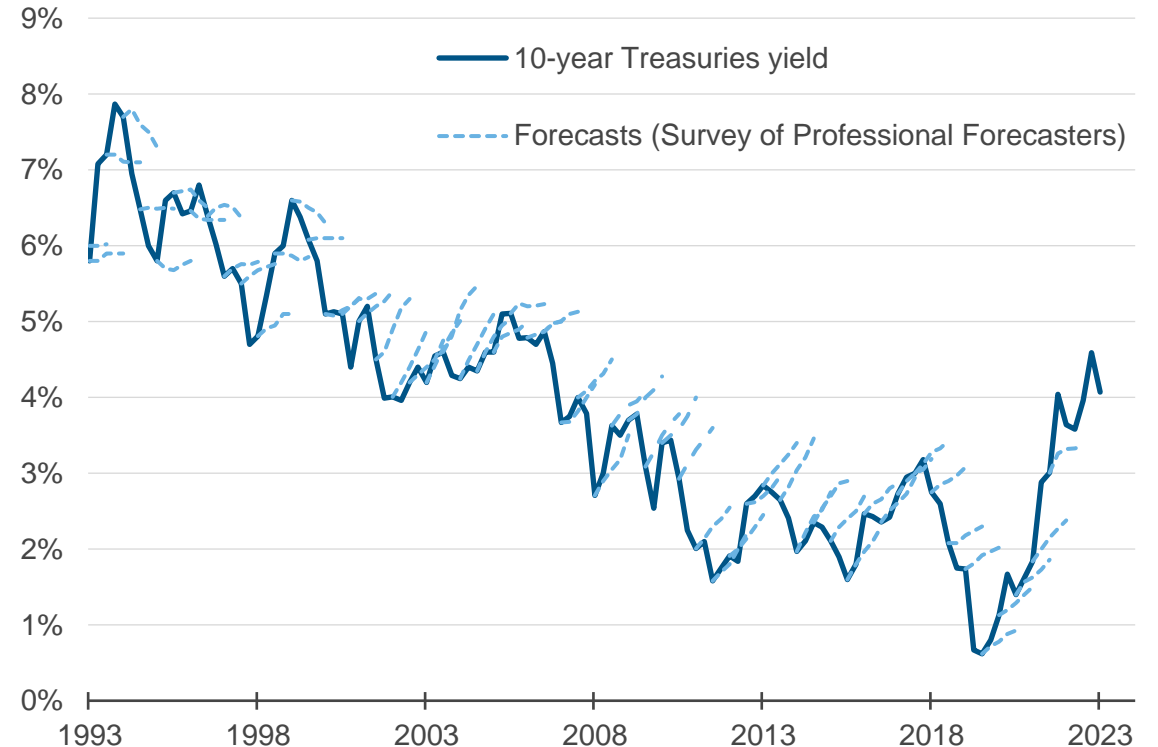
Real yields approaching 2% for the first time since 2007

Decomposition of US yields



There had been an upward bias in yield forecasts before last year

Historical yield forecasts

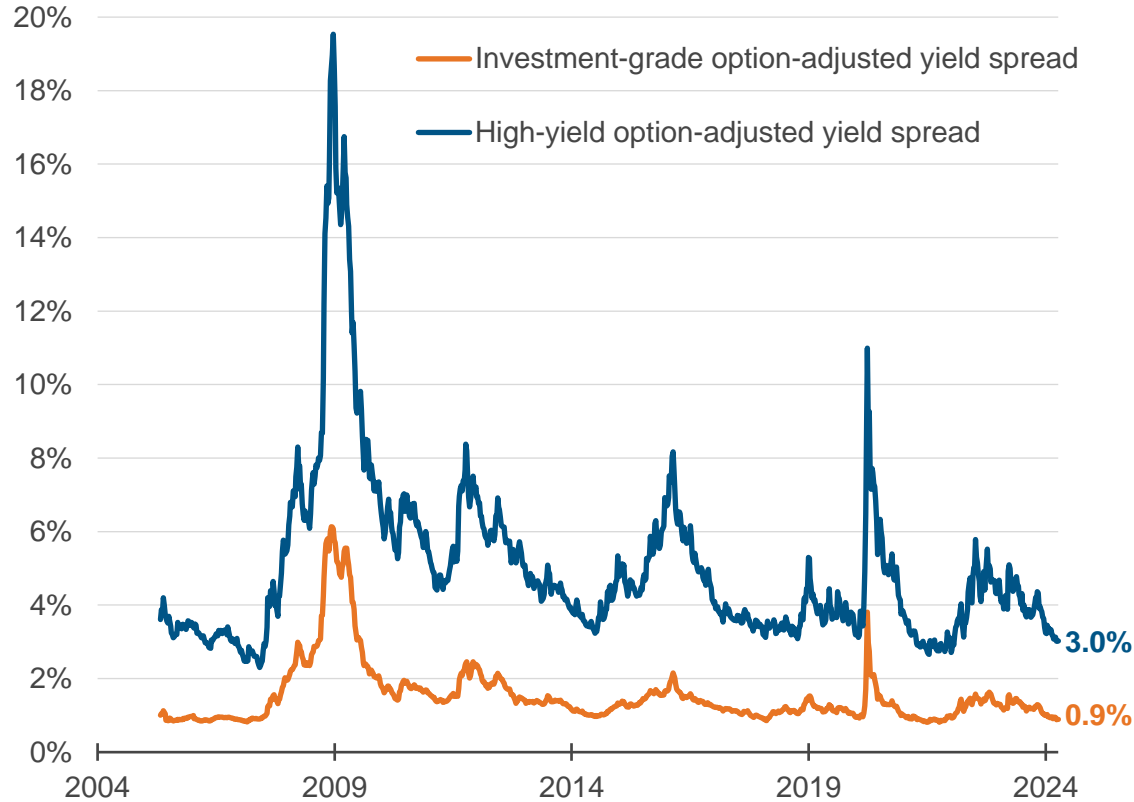




Corporate bonds

Spreads are narrow considering the risks

U.S. corporate spreads, basis points



Corporate debt is down to pre-pandemic level

U.S. corporate debt as a % of GDP

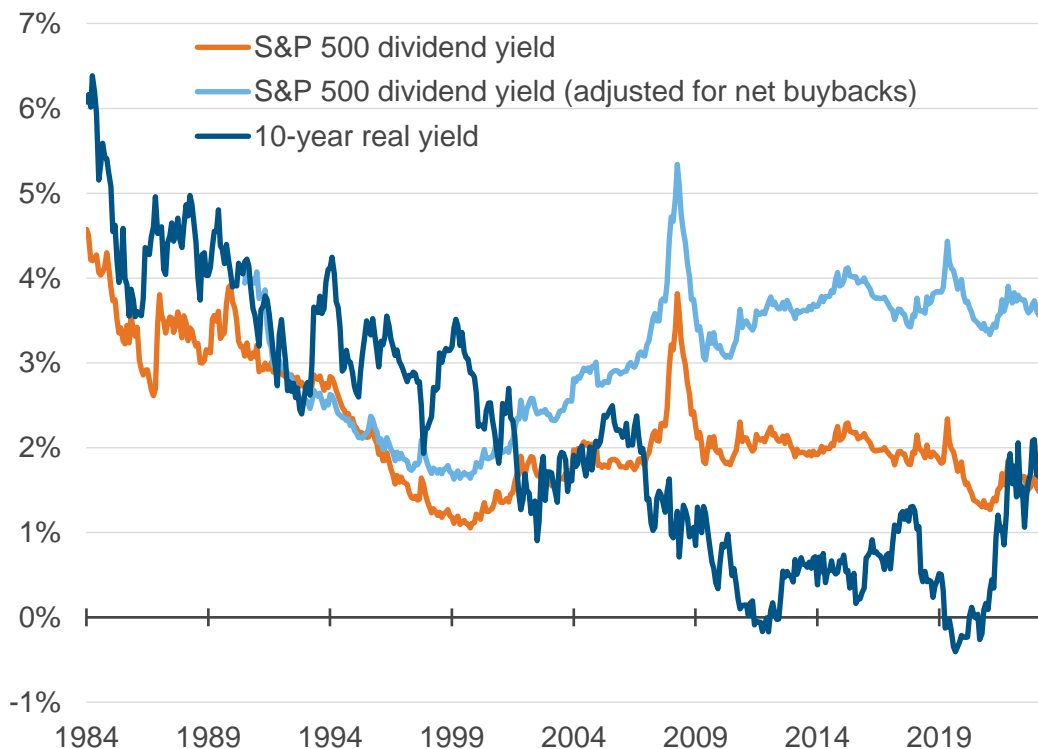




Equities, valuations

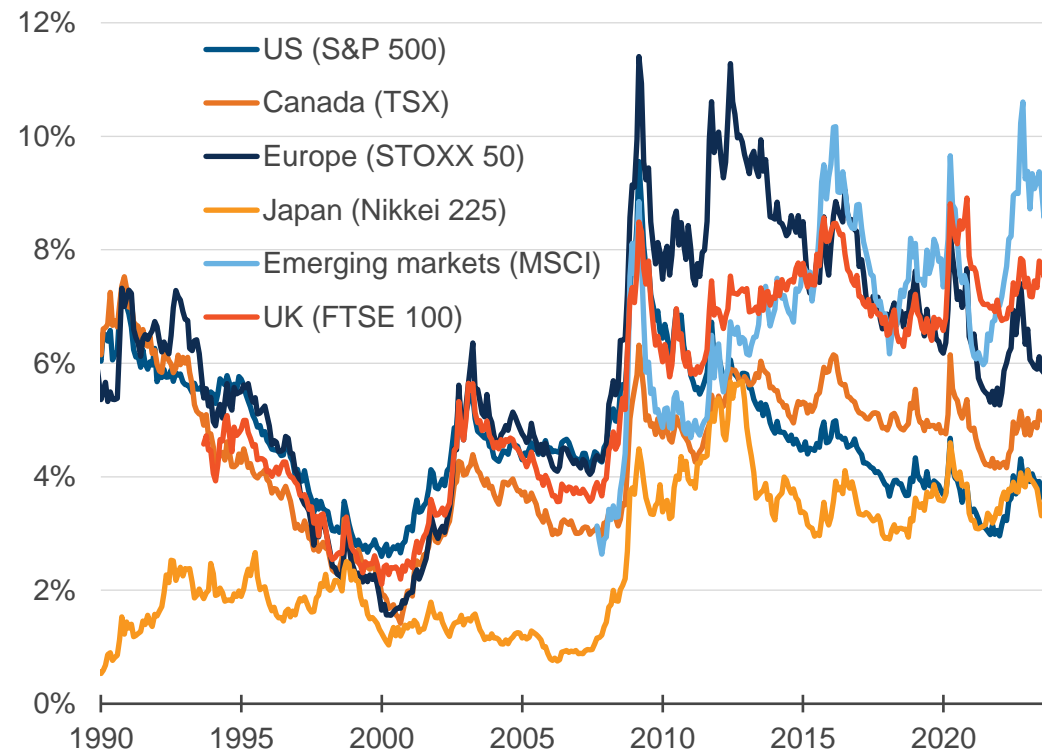
Dividend yields are less attractive given the spike in real yields

Equity yields vs. bond yields



U.S. equities appear more expensive than other markets

Cyclically-adjusted earnings yield



Data via Bloomberg. Calculations by the Multi-Asset Strategies team. The ten-year real yield on the left chart is an estimate from the Cleveland Fed. The cyclically-adjusted earnings yields in the right chart are calculated using Shiller's methodology.



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The indicated rates of return are the historical annual compounded total returns as of April 1, 2024 including changes in unit value and reinvestment of all dividends and do not take into account sales, redemption, distribution, or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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