

Weekly Market Pulse



Week ending December 20, 2024

Market developments

Equities: The S&P 500 suffered one of its largest weekly declines since September, as major tech companies like Tesla and Nvidia experienced trading losses. European markets also weakened, highlighted by a ~2.5% drop in the German Index. Market volatility has surged following a hawkish shift from the Federal Reserve, raising doubts about the sustainability of this year's tech-driven rally despite a strong U.S. economy.

Fixed Income: Like equities, bonds also experienced losses this week as the rally on Friday wasn't enough to drive bond prices into positive territory to close the week. The Fed's shift in rate cut expectations to only two rate cuts pushed the 10-year treasury over 4.5%, approaching the highs observed in the spring.

Commodities: Gold experienced a weekly decline as traders reassessed interest rate expectations following the Federal Reserve's recent decision to lower rates. Although the Fed cut rates, Chair Jerome Powell emphasized the need for further progress on inflation before additional cuts can be made. This cautious stance, combined with resilient U.S. GDP data and an upward revision of consumer spending to 2.2%, suggests that immediate rate cuts may not be necessary, impacting gold's appeal as a non-yielding asset.

Performance (price return)

SECURITY	PRICE	WEEK	1 MONTH	3 MONTH	YTD
Equities (\$Local)					
S&P/TSX Composite	24,599.48	-2.67%	-1.75%	3.07%	17.37%
S&P 500	5,930.85	-1.99%	0.23%	4.00%	24.34%
NASDAQ	19,572.60	-1.78%	3.20%	9.05%	30.39%
DAX	19,884.75	-2.55%	4.63%	6.22%	18.70%
NIKKEI 225	38,701.90	-1.95%	0.91%	2.59%	15.65%
Shanghai Composite	3,368.07	-0.70%	0.00%	23.07%	13.21%
Fixed Income (Performance in %)					
Canada Aggregate Bond	233.26	-1.01%	0.93%	-0.80%	3.10%
US Aggregate Bond	2184.46	-0.92%	-0.46%	-3.50%	1.04%
Europe Aggregate Bond	244.45	-0.27%	0.67%	1.09%	2.93%
US High Yield Bond	26.76	-0.89%	-0.16%	0.05%	7.90%
Commodities (\$USD)					
Oil	69.52	-2.48%	0.94%	-3.34%	-2.97%
Gold	2622.72	-0.96%	-1.05%	0.03%	27.13%
Copper	404.40	-2.53%	-2.68%	-5.55%	3.95%
Currencies (\$USD)					
US Dollar Index	107.80	0.74%	1.05%	7.03%	6.38%
Loonie	1.4372	-0.96%	-2.76%	-5.59%	-7.86%
Euro	0.959	-0.70%	-1.11%	-6.58%	-5.54%
Yen	156.38	-1.75%	-0.60%	-8.01%	-9.81%

Source: Bloomberg, as of December 20, 2024

Macro developments

Canada – Canadian Inflation Eases Slightly, Retail Spending Slows After Growth Streak

Canada's inflation rate eased to 1.9% in November, falling short of market expectations of 2%. Despite this, core inflation remained unchanged at 2.7%, which may limit potential rate cuts by the Bank of Canada. Gasoline prices fell less sharply, and inflation eased for shelter and food. Monthly CPI remained flat.

Retail sales in Canada were unchanged in November after four months of growth. October's sales rose 0.6%, slightly below expectations. The slowdown in spending may influence the Bank of Canada's rate-cut pace, with borrowing costs already reduced by 175 basis points since June.

U.S. – Private Sector Surges as Services Lead Growth, Retail Sales During Holiday Season, Core Inflation Slows Amid Fed Rate Cuts

Composite PMI rose to 56.6 in December, the highest since March 2022, driven by strong service sector growth. Manufacturing continued to contract, but a stronger demand boosted new orders and employment. Inflation pressures eased, while business optimism grew under the incoming Trump administration.

Retail sales rose 0.7% in November, exceeding forecasts. Gains were led by motor vehicle dealers and nonstore retailers, though some sectors, like food services and general merchandise, saw declines. Sales excluding key categories rose 0.4%, signaling resilient holiday consumer spending.

Core PCE inflation rose 0.1% in November, its smallest monthly increase in six months, holding steady at 2.8% annually. The Fed cut rates by 25 basis points in December, bringing the federal funds rate to 4.25%-4.5%. Policymakers now expect fewer rate cuts in 2025, alongside revised GDP and inflation projections.

The Federal Reserve announced a 25 basis point cut to the federal funds rate, marking the third consecutive reduction of the year and bringing the rate to 4.25%-4.5%. Policymakers now anticipate only two rate cuts in 2025, totaling 50 basis points, down from earlier projections of a full percentage point. The Fed revised its GDP growth forecasts upward to 2.5% for 2024 and 2.1% for 2025, while maintaining a 2% forecast for 2026. Inflation projections for PCE and core PCE have also been adjusted higher for the next three years. Unemployment estimates have improved, with projections lowered to 4.2% for 2024 and 4.3% for 2025, while remaining steady at 4.3% for 2026.

International – U.K. Private Sector Stalls Amid Job Cuts and Weak Orders, U.K. Inflation Rises to Eight-Month High, Eurozone Contraction Eases as Services Recover, Japan's Inflation Jumps to Over One-Year High

The U.K. Composite PMI stayed at 50.5 in December, signaling slow growth. Services expanded, but manufacturing contracted. New orders fell, and job cuts accelerated due to higher payroll taxes and weak demand. Business confidence dropped to a two-year low, while cost pressures persisted.

Annual U.K. inflation climbed to 2.6% in November, led by higher prices for recreation, housing, and food. Transport prices fell less sharply, while services inflation held at 5%. Core CPI rose 3.5% annually but was flat monthly. The Bank of England kept its benchmark rate at 4.75% amid inflation risks.

The Eurozone Composite PMI improved to 49.5 in December, indicating a slower decline in private-sector activity. Services returned to growth, but manufacturing remained weak. Job cuts accelerated, while inflation pressures rose. Germany and France dragged activity down, though other regions saw growth.

Japan's annual inflation rose to 2.9% in November, driven by surging food and energy prices after subsidy removals. Core inflation hit 2.7%, a three-month high, surpassing estimate. Monthly CPI rose 0.6%, its highest in over a year, highlighting rising price pressures across multiple sectors.

Quick look ahead

DATE	COUNTRY / REGION	EVENT		SURVEY	PRIOR
23-Dec-24	United Kingdom	GDP QoQ	3Q F	0.1	0.1
23-Dec-24	United Kingdom	GDP YoY	3Q F	1.0	1.0
23-Dec-24	Canada	GDP YoY	Oct	1.6	1.6
23-Dec-24	Canada	GDP MoM	Oct	0.2	0.1
23-Dec-24	Canada	Industrial Product Price MoM	Nov	0.3	1.2
23-Dec-24	Canada	Raw Materials Price Index MoM	Nov	0.5	3.8
23-Dec-24	United States	Conf. Board Consumer Confidence	Dec	113.0	111.7
26-Dec-24	United States	Initial Jobless Claims	Dec		220.0
26-Dec-24	United States	Continuing Claims	Dec		1,874.0
26-Dec-24	Japan	Tokyo CPI YoY	Dec	2.9	2.6
26-Dec-24	Japan	Jobless Rate	Nov	2.5	2.5
26-Dec-24	Japan	Retail Sales YoY	Nov	1.5	1.6

F = Final Data

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