

# Weekly Market Pulse



Week ending January 10, 2025

## Market developments

**Equities:** Stocks declined sharply, with the S&P 500 and Nasdaq dropping ~2% and 2.3% respectively, as traders adjusted their expectations for Federal Reserve rate cuts following strong jobs data and rising consumer inflation expectations. The TSX also ended the week ~1.2% lower, driven by weakness in the tech, health care and real estate sectors.

**Fixed Income:** The unemployment rate fell unexpectedly, and the U.S. economy added the most jobs since March, leading to a selloff in Treasury bonds that pushed 30-year yields above 5%. Swap traders now anticipate about 30 basis points of Fed cuts this year, down from earlier expectations of 38 basis points.

**Commodities:** Copper prices are experiencing their largest weekly gain since September, driven by signs of increasing demand in China and the potential for new tariffs on U.S. imports of the metal proposed by Donald Trump. Despite a challenging last quarter where prices fell 11%, the current gains are attributed to renewed consumption signals from China, even during its typical winter slowdown.

## Performance (price return)

SECURITY	PRICE	WEEK	1 MONTH	3 MONTH	YTD
<b>Equities (\$Local)</b>					
S&P/TSX Composite	24,766.38	-1.23%	-2.89%	1.91%	0.16%
S&P 500	5,827.04	-1.94%	-3.44%	0.81%	-0.93%
NASDAQ	19,161.63	-2.34%	-2.67%	4.81%	-0.77%
DAX	20,214.79	1.55%	-0.56%	5.23%	1.54%
NIKKEI 225	39,190.40	-1.77%	-0.45%	-0.48%	-1.77%
Shanghai Composite	3,168.52	-1.34%	-7.43%	-4.04%	-5.47%
<b>Fixed Income (Performance in %)</b>					
Canada Aggregate Bond	233.53	-0.59%	-1.70%	0.87%	-0.78%
US Aggregate Bond	2178.80	-0.34%	-2.17%	-2.10%	-0.47%
Europe Aggregate Bond	240.66	-0.78%	-2.56%	-0.55%	-1.27%
US High Yield Bond	26.92	0.01%	-0.52%	1.02%	0.32%
<b>Commodities (\$USD)</b>					
Oil	76.67	3.66%	11.78%	1.08%	6.90%
Gold	2692.62	1.98%	-0.06%	2.39%	2.60%
Copper	429.50	5.44%	1.69%	-2.99%	6.67%
<b>Currencies (\$USD)</b>					
US Dollar Index	109.63	0.63%	3.04%	6.45%	1.06%
Loonie	1.4425	0.15%	-1.69%	-4.73%	-0.28%
Euro	0.9758	-0.58%	-2.65%	-6.27%	-1.01%
Yen	157.72	-0.29%	-3.66%	-5.80%	-0.33%

Source: Bloomberg, as of January 10, 2025

## Macro developments

### **Canada – Canadian PMI Contracts Amid Service Sector Weakness, Labour Market Shows Mixed Signals**

The S&P Global Canada Composite PMI dropped to 49.0 in December, marking the first contraction in private sector output in three months. A decline in the services sector driven by postal strikes and falling new business offset rising manufacturing activity. Despite cost pressures, firms continued hiring, reducing backlogs and raising output prices. Business confidence softened, though optimism remains for potential rate cuts.

The Canadian unemployment rate eased to 6.7% in December, slightly below expectations, with employment rising by 91,000. Joblessness among youth increased, but core-aged and older populations saw declines. The participation rate held steady at 65.1%, reflecting resilience in the labour market amid broader economic concerns.

### **U.S. – Job Gains Accelerate in December, Unemployment Rate Declines Slightly**

The U.S. economy added 256,000 jobs in December, the highest in nine months, with notable gains in healthcare, government, social assistance, and retail trade. Manufacturing employment declined, and revisions lowered figures for October and November. Despite slower annual growth compared to 2023, the labour market remains robust with a monthly average of 186,000 job additions in 2024.

The unemployment rate in the fell to 4.1% in December, below expectations, as the number of unemployed decreased by 235,000. Employment rose by 478,000, while the participation rate held steady at 62.5%. The employment-population ratio also increased, signaling ongoing labour market strength.

### **International – Eurozone Inflation Peaks at Year-End, China Faces Mounting Deflation Risks**

Eurozone inflation rose to 2.4% in December 2024, its highest since July, driven by energy price increases and faster service inflation. Inflation varied across major economies, increasing in Germany, France, and Spain, but slowing in Italy. Core inflation remained steady at 2.7%, with the ECB projecting a return to the 2% target by year-end.

China's inflation slowed to 0.1% in December 2024, the lowest since March, highlighting deflation risks despite stimulus efforts. Food prices fell, while non-food prices rose modestly. Core inflation reached a five-month high of 0.4%, but the full-year CPI growth of 0.2% reflected ongoing economic challenges.

## Quick look ahead

DATE	COUNTRY / REGION	EVENT		SURVEY	PRIOR
15-Jan-25	United Kingdom	CPI YoY	Dec	2.6	2.6
15-Jan-25	United Kingdom	CPI Core YoY	Dec	3.4	3.5
15-Jan-25	United States	CPI YoY	Dec	2.9	2.7
15-Jan-25	United States	CPI Ex Food and Energy YoY	Dec	3.3	3.3
15-Jan-25	Japan	PPI YoY	Dec	3.8	3.7
16-Jan-25	United States	Retail Sales Advance MoM	Dec	0.5	0.7
16-Jan-25	United States	Retail Sales Ex Auto MoM	Dec	0.5	0.2
16-Jan-25	China	GDP YoY	4Q	5.0	4.6
16-Jan-25	China	GDP SA QoQ	4Q	1.6	0.9
16-Jan-25	China	Retail Sales YoY	Dec	3.5	3.0
17-Jan-25	United Kingdom	Retail Sales Ex Auto Fuel YoY	Dec	3.5	0.1
17-Jan-25	United Kingdom	Retail Sales Inc Auto Fuel YoY	Dec	4.5	0.5

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