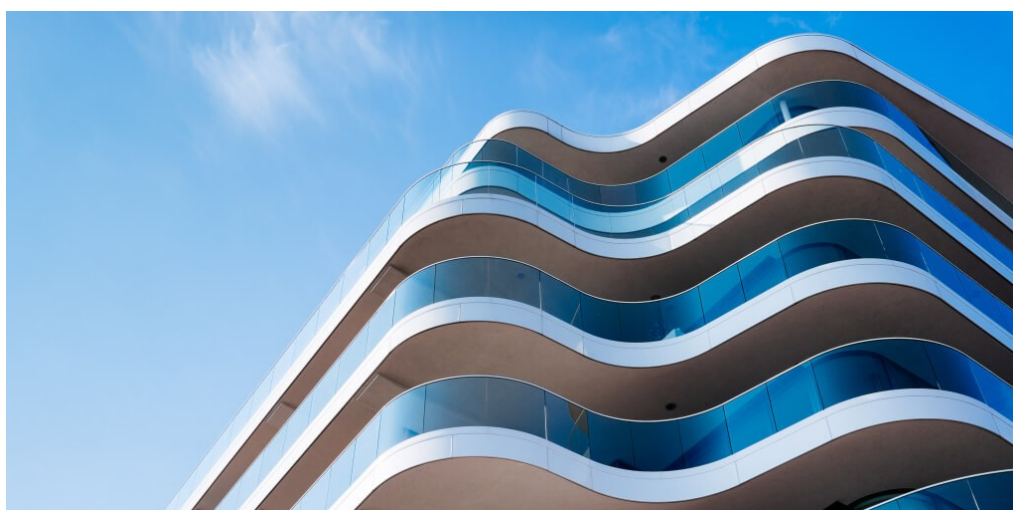


# November 2023 market update

## Riding the economic waves

Dec. 6, 2023



### Introduction

Global equity markets surged higher over November amid rising expectations that global central banks may be nearing the end of their monetary policy tightening. Bets started to be placed about when major central banks may begin dropping interest rates. The U.S. Federal Reserve Board (“Fed”) and Bank of England held steady at their November meetings.

Despite the optimism towards risk assets, economic conditions remained relatively muted. Global business activity, as measured by manufacturing and services sector activity, was weak as a result of waning global demand amid tight financial conditions. In North America, inflation moderated, while labour markets showed further signs of losing momentum. Canada’s economy shrank at an annualized pace of 1.1% in the third quarter. In its second estimate, the U.S. economy grew by 5.2%, annualized, in the third quarter.

In Canada, the S&P/TSX Composite Index advanced, led by the Information Technology and Financials sectors. U.S. equities delivered a robust return over the month. Yields on 10-year government bonds in Canada and the U.S. fell on expectations that policy interest rates may have peaked. Gold prices edged higher, while the price of oil fell over the month.

## Canadian retail sales and federal budget support economy

Despite Statistics Canada's ("StatsCan") expectations to the contrary, retail sales in Canada climbed higher in September. Retail sales rose by 0.6% in September, topping the 0.0% growth StatsCan and economists had expected. Canadian households demonstrated their relative strength even as they grappled with elevated inflation and high borrowing costs. Sales were driven by higher receipts at motor vehicle dealers, convenience stores and gasoline stations. The strength might also extend into October, with StatsCan estimating a 0.8% increase. While the growth in retail sales was a welcome result for the Canadian economy, underlying data may be signalling some shakiness, raising concerns about the strength of consumer spending ahead. Core retail sales, which excludes sales at car dealerships and gasoline stations, fell by 0.3% in September, suggesting sales were largely in higher ticket items, contributing to a higher headline figure. Still, the increase in spending will help support Canada's gross domestic product in September and October. With economic conditions uncertain, the federal government also seeks to help support Canada's economy and minimize the impact of tight financial conditions. In its budget update, the government announced net new spending of \$20.8 billion, spread out over the next six years as it seeks to bring down the deficit over that same period.

## U.S. housing market shows signs of improving

November data brought signs that the U.S. housing market may be poised to improve in the coming months. Coming into November, however, sales activity was pressured. In October, sales of existing homes dropped by 4.1% to 3.79 million, the lowest number of home sales in a month since 2010. Weak demand amid high borrowing costs was met by ultra-low listings, weighing on sales activity. While listings may still be muted, Americans are showing some increased desire to purchase a home. The Mortgage Bankers Association ("MBA") reported mortgage applications in the U.S. increased each week in November, including applications to purchase a home. The rise in applications coincided with a drop in mortgage rates amid heightened expectations that the Fed may be close to ending its rate hikes. MBA says the rate on a 30-year fixed-rate mortgage fell from 7.86% at the end of October to 7.37% for the week ended November 24. With demand for housing climbing higher, activity in the real estate market could increase.

# Developed economies see softer inflationary pressures

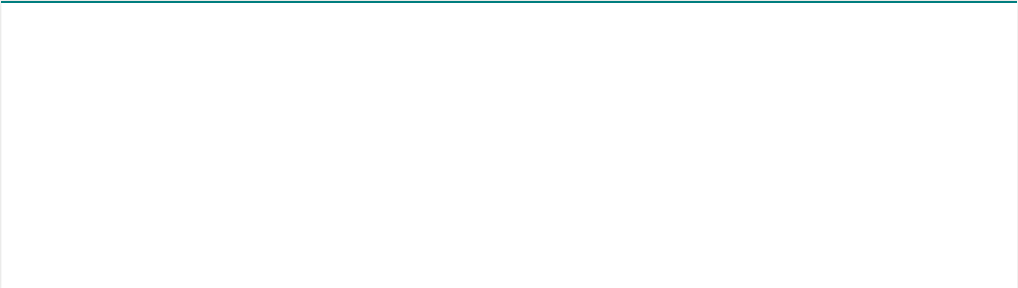
Several developed economies announced inflation is coming down, which could have central banks nearing the end of tightening monetary policy. However, inflation remains above targets, and core inflation, which excludes more volatile items, is still at relatively elevated levels. This has prompted central banks to warn that there's still the possibility of more interest rate increases. In Canada, inflation fell to 3.1% in October from 3.8% in September. October's print was below economists' expectations and suggested the Bank of Canada's aggressive monetary policy stance is helping to slow economic activity and inflation. Similarly, the U.S. inflation rate moderated from 3.7% to 3.2% in October, largely as a result of falling energy prices. Across the Atlantic, inflation also edged lower in Europe and the U.K. to 2.9% and 4.6%, respectively. Both saw double-digit inflation rates less than 12 months ago. Attention now turns to the central banks of these economies, who will make their last interest rate announcements of 2023 in the first half of December. Recent inflation readings point to these central banks holding steady to close out the year.

# Economic conditions in China improve

China's economy appears to be turning the corner and stabilizing, as evidenced by the improvement of critical economic indicators. China's economy expanded by 4.9% year-over-year in the third quarter, but concerns lingered that weak domestic and foreign demand was weighing on economic activity, while the property market remained fragile. However, some of those concerns might be easing considering recent results. Retail sales rose by 7.6% year-over-year in October, faster than in September and the sharpest pace of growth since May. Industrial production rose in October at an annual pace of 4.6%, slightly higher than September's rate of growth.

As noted earlier, China's property market has been a significant source of weakness and concern for China's economy. While the struggles in the sector persist, the government is considering initiatives to help support the property market. The government intends to inject money into the system for affordable housing programs. Meanwhile, financial regulators are seeking to ensure financial institutions do not withdraw or interrupt loans to property firms.

# Market performance - as at Nov. 30, 2023



Give Feedback

Equity Markets	Level	Month to date	Month to date (C\$)	Year to date	Year to date (C\$)	1 year	1 year (C\$)
S&P/TSX Composite Index C\$	20,236.29	7.22%	<b>7.22%</b>	4.39%	<b>4.39%</b>	-1.06%	<b>-1.06%</b>
MSCI USA Index US\$	4,352.86	9.21%	<b>6.90%</b>	19.58%	<b>20.06%</b>	12.39%	<b>12.81%</b>
MSCI EAFE Index US\$	2,124.91	9.09%	<b>6.78%</b>	9.31%	<b>9.75%</b>	9.30%	<b>9.72%</b>
MSCI Emerging Markets Index US\$	987.10	7.86%	<b>5.57%</b>	3.21%	<b>3.63%</b>	1.52%	<b>1.91%</b>
MSCI Europe Index US\$	1,925.41	9.68%	<b>7.35%</b>	11.19%	<b>11.65%</b>	11.13%	<b>11.55%</b>
MSCI AC Asia Pacific Index US\$	162.23	7.68%	<b>5.40%</b>	4.17%	<b>4.59%</b>	3.73%	<b>4.13%</b>
Fixed Income Markets	Level	Month to date	Month to date (C\$)	Year to date	Year to date (C\$)	1 year	1 year (C\$)
FTSE Canada	1,084.29	4.29%	<b>4.29%</b>	3.15%	<b>3.15%</b>	1.45%	<b>1.45%</b>

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Universe Bond Index C\$							
FTSE World Investment Grade Bond Index US\$	206.56	5.16%	<b>2.94%</b>	2.15%	<b>2.56%</b>	2.07%	<b>2.45%</b>
Currencies	Level	Month to date	Month to date (C\$)	Year to date	Year to date (C\$)	1 year	1 year (C\$)
CAD/USD	0.7374	2.31%	-	-0.05%	-	-1.10%	-

Commodities	Level	Month to date	Month to date (C\$)	Year to date	Year to date (C\$)	1 year	1 year (C\$)
West Texas Intermediate (US\$/bbl)	75.96	-6.68%	-	-5.79%	-	-6.13%	-
Gold (US\$/oz)	2,036.41	2.65%	-	11.64%	-	15.15%	-
Silver (US\$/oz)	25.27	10.62%		5.50%		13.87%	

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