

November 2024 market update

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Dec. 4, 2024



Introduction

Global equity markets advanced in November. The expected pro-growth policies from President-elect Donald Trump following his election win helped lift equity markets over the month. Several central banks continued to lower interest rates, including the U.S. Federal Reserve Board (“Fed”) and Bank of England (“BoE”). As reported in November, inflationary pressures moved higher in October, largely in response to a slowdown in the decline of energy prices. The increase in inflation rates was widely expected by economists.

Yields on 10-year government bonds in Canada and the U.S. finished lower, with both seeing wide swings over the month. In equity markets, the S&P/TSX Composite Index finished higher, reaching a new record high in November. U.S. equities also increased. The price of oil and gold both finished lower over the month.

Give Feedback

Canadian inflation back to 2%

Canada isn't completely out of the woods with the threat of inflation moving higher. Canada's annual inflation rate was 2.0% in October, up from the 1.6% rate in September, which was the lowest since February 2021. Economists had been expecting a 1.9% rate. October's increase was driven by a slower decline in energy prices over the month. Core measures of inflation also moved higher over the month, suggesting price pressures remain broad-based. With interest rates coming down, demand appears to be picking up, helping to push prices higher. Retail sales rose by 0.4% in September, with Statistics Canada estimating another 0.7% increase in October. This would mark four straight months of growing retail sales after falling over much of 2024. Better consumption helped lift Canada's gross domestic product higher in the third quarter of 2024. Still, the pace of growth was soft amid weak net exports. Canada's economy grew at an annualized pace of 1.0% in the third quarter, its slowest pace of growth since the last quarter of 2023. The inflation data is the last before the Bank of Canada's ("BoC") final interest rate decision of 2024 on December 11. The BoC is likely to lower interest rates at a fifth consecutive meeting. However, the BoC may not go as far as a 50-basis-point ("bps") cut at this meeting.

Market sentiment boosted after U.S. election results

Republican Donald Trump was elected as the 47th President of the United States, becoming only the second person to serve as President in two non-consecutive terms. The Republican Party also won the Senate and House of Representatives, likely giving President-elect Trump a relatively seamless path to get his policies approved and enacted. Markets reacted positively to the results on the expectation that Trump's pro-growth policies may be good for business, pushing U.S. equity markets higher to new records. However, U.S. equity markets lost some steam as the month progressed as concerns about new tariffs raised questions about the impact on global economic activity and inflation.

One of the big questions stemming from election night was how the result would impact Jerome Powell, who serves as Chair of the Fed. Powell and Trump did not see eye-to-eye on monetary policy throughout Trump's first term in office. Powell noted he has no intentions of leaving and the Fed will maintain its independence, regardless of the desires of lawmakers. At its November meeting, the Fed lowered the target range of its federal funds rate by 25 bps to 4.50%–4.75%. The Fed noted it will take a cautious approach to lowering interest rates. The U.S. economy and labour market have been relatively robust, while inflation remains relatively elevated, despite signs it will come back to the Fed's 2% target. The Fed is expected to lower interest rates again at its December meeting.

Give Feedback

China's stimulus measures help ignite spending

Efforts from the Chinese government and the People's Bank of China ("PBOC") may be showing some early signs of helping. Still, several risks remain on the horizon, which could hinder economic activity in the world's second-largest economy. One critical area to improve was domestic demand. On that front, stimulus measures may be working. Retail sales rose by 4.8% year-over-year in October, the largest annual increase since February. A rise in sales for personal care products, entertainment and automobiles drove October's increase. Another critical area that saw success was China's export activity. Exports surged higher by 12.7% year-over-year in October. Combined with a 2.3% decline in imports, this led to China's trade surplus widening over the month. This comes before increased tariffs from the U.S. and the threat of further tariffs once Trump officially takes office. While there were several successful indicators over the month, China's economy remains relatively challenged with a clouded outlook. The PBOC held its one- and five-year loan prime rates steady in November. While the PBOC left its one-year medium-term lending facility steady at 2.00%, the bank increased liquidity in the system by lending out 900 billion yuan (C\$174 billion) to banks over the month. Given China's wobbly economy and the threat of tariffs, more stimulus measures are likely to help support economic activity.

BoE cuts rates again

For the second time this year, the BoE lowered its policy interest rate by 25 bps, taking it to 4.75%. The BoE believed the rate cut was warranted amid falling inflationary pressures. However, the BoE noted it could take a relatively cautious approach to lowering interest rates further with inflation remaining a risk. The U.K. inflation rate increased to 2.3% in October from 1.7% in September. The BoE believes inflation could move higher, particularly in the short term, in response to the expansionary spending plans of the Labour Party, which won July's election in the U.K. And the U.K. economy does need some support. U.K. gross domestic product expanded by just 0.1% over the third quarter of 2024, which was the third straight quarter of growth but the slowest in this set. Consumer spending was soft, and production contracted over the quarter. The BoE believes the Labour Party's spending plans could help the economy, estimating that they could boost growth by 0.75% over the next year. The U.K. economy could see better times ahead should measures from the government and lower borrowing costs increase business activity. In the meantime, the BoE will likely keep lowering interest rates, but it might not be as aggressive as some other major central banks.

Give Feedback

Market performance - as at Nov. 30, 2024

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\$	25,648.00	6.17%	6.17%	22.38%	22.38%	26.74%	26.74%
MSCI USA Index US\$	5,770.65	6.12%	6.70%	26.77%	34.37%	32.57%	36.61%
MSCI EAFE Index US\$	2,315.77	-0.74%	-0.19%	3.56%	9.77%	8.98%	12.30%
MSCI Emerging Markets Index US\$	1,078.57	-3.66%	-3.13%	5.36%	11.67%	9.27%	12.60%
MSCI Europe Index US\$	2,053.91	-1.85%	-1.31%	1.66%	7.75%	6.67%	9.92%
MSCI AC Asia Pacific Index US\$	183.42	-1.43%	-0.90%	8.28%	14.78%	13.06%	16.51%

Give Feedback

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 Universe Bond Index C\$	1,177.01	1.68%	1.68%	4.95%	4.95%	8.55%	8.55%
FTSE World Investment Grade Bond Index US\$	216.73	0.33%	0.88%	0.69%	6.73%	4.92%	8.12%

Currencies	Level	Month to date	Month to date (C\$)	Year to date	Year to date (C\$)	1 year	1 year (C\$)
CAD/USD	0.7140	-0.52%	-	-5.44%	-	-3.17%	-

Give Feedback

Commodity Level	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)	68.00	-1.82%	-	-5.09%	-	-10.48%	-
Gold (US\$/oz)	2,643.15	-3.67%	-	28.12%	-	29.79%	-
Silver (US\$/oz)	30.63	-6.24%		28.70%		21.18%	

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