

Big Picture

Investors continue to speculate Federal Reserve's rate hike decisions

North American equity markets finished higher on Monday as investors considered how incoming economic data, which was largely positive, might affect the U.S. Federal Reserve Board's next rate decision. By the close, the Dow gained 72, the S&P 500 rose 12, and the Nasdaq gained 72 points. In Canada, the TSX rose 41 points.

On Tuesday, U.S. and Canadian equity markets ended lower as investors weighed new data showing rates in Europe might go higher to help tame high inflationary pressures. By the day's close, the Dow dropped 232 points, the S&P 500 fell 12, and the Nasdaq lost 11. In Canada, the TSX drifted 39 points lower.

North American equity markets finished mixed on Wednesday as investors combed through comments from U.S. Federal Reserve Board officials, speculating how high rates may go. The Dow gained 5 points on Wednesday, while the S&P 500 fell 19 and Nasdaq tumbled 76 points, respectively. In Canada, the TSX saw a 39-point gain.

North American equities finished higher on Thursday as Treasury yields retreated, helped by comments from Atlanta Federal Reserve President Raphael Bostic. Mr. Bostic stated that he favoured a slow and steady approach to interest rate hikes for the Fed in an argument for quarter-point hikes. By the end of trading, the Dow gained 342 points, while the S&P 500 and Nasdaq rose 30 and 84 points, respectively. In Canada, the TSX gained 77 points.

North American Indexes observe gains

For the four trading days covered in this report, the Dow gained 187 points to close at 33,004, the S&P 500 gained 11 points to settle at 3,981, and the tech-heavy Nasdaq rose 68 points to close at 11,463. In Canada, the TSX gained 118 points to end at 20,337.

Strategy

Canadian economy remained unchanged in Q4 2022 but started 2023 strongly

Canadian GDP rose 0.3% in January, led by oil and gas extraction and wholesale trade. However, fourth-quarter annualized GDP remained unchanged, below consensus estimates of 1.6% and following five consecutive quarterly increases. The stalled growth was mainly driven by QoQ declines in business investment in machinery and equipment (-7.8%) and housing (-2.3%) but offset by higher household (0.5%) and government spending and improved net trade. Also, a smaller accumulation of inventories applied downward pressure on GDP growth. Easing supply chain issues enhanced manufacturers' capacity to meet consumer demand. Households spendings on durable goods increased by 3.4%, led by the purchase of new trucks, vans, and sport utility vehicles (+10.3%), used motor vehicles (+7.9%) and new passenger cars (+5.8%). However, service spending decreased from 1.1% in the third quarter to 0.3% in the fourth quarter. Exports of goods and services increased by 0.2%, while imports fell by 3.2% in the fourth quarter.

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