

Big Picture

U.S. Stocks Close Out Q1 on a Down Note as War in Ukraine Continues

U.S. stocks closed slightly higher following a volatile session Monday, while bond yields remained near three-year highs, as investors braced themselves for a new period of rising rates from the Fed. By Monday's close, the Nasdaq was up 185 points, while the Dow and S&P 500 recorded more modest gains. In Canada, the TSX fell 28 points, with the energy sector retreating from recent highs as concerns over demand from China weighed on oil prices.

North American markets registered solid gains, and oil prices recorded their largest declines in more than a week on Tuesday, as Brent crude fell about 2% to settle around \$110 a barrel. In Canada, the TSX was up 109 points, buoyed by Shopify, which rose 5.8%.

Major North American markets were slightly in the red on Wednesday, as rising commodity prices and a lack of progress in cease-fire talks between Russia and Ukraine weighed on investors. Meanwhile, the loonie on Wednesday strengthened to its highest level in nearly five months against the greenback, hitting 80.4 US cents. U.S. stocks finished the first quarter on a down note Thursday, with their biggest quarterly decline in two years, as investors grapple with rising rates, inflation and the war in Ukraine. For Q1, the S&P 500 fell nearly 5%, while the Nasdaq and Dow lost 9.1% and 4.6%, respectively. The TSX also closed lower on Thursday, with the energy, financials and materials sectors all losing ground.

Finally, the closely watched yield curve between 2-year and 10-year U.S. Treasuries was around 4 basis points Thursday, after briefly inverting on Tuesday. An inversion is generally viewed as a reliable signal of a recession within the next 12 to 24 months.

Nasdaq Sees Small Gain, Other Indexes Slightly Off

For the four trading days covered in this report, the Dow lost 183 points to close at 34,678, the S&P 500 dropped 13 points to settle at 4,530, while the tech-heavy Nasdaq rose 51 points to close at 14,220. In Canada, the TSX declined 116 points to end at 21,890.

Strategy

Canada's economy extended a streak of monthly gains to nine in February

Canada's economy extended a streak of monthly gains to nine in February despite elevated inflation, suggesting the Bank of Canada (BoC) will push forward with its policy normalization plans. The data from Statistics Canada show output grew 0.2% in January as the goods producing sector (+0.8%) offset weakness in services producing industries (0.0%). Overall, 9 of 20 industrial sectors increased in January. Advance data showed February output likely accelerated a further 0.8% in February driver by gains in the manufacturing sector, oil and gas extraction, accommodation and food services, and construction. The report adds to evidence the economy was surprisingly resilient at the start of 2022 in the face of COVID-19 restrictions meant to contain the spread of the omicron variant, and even boomed as authorities lifted the lockdowns in February. The economy is on track to grow at an annualized pace of more than 4% in the first quarter, which is twice the pace the Bank of Canada had been projecting as recently as January.

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