

August in Review

After a market rebound in July, stocks and bonds traded lower in August. Central banks continued to hike interest rates, and bank officials made clear their intentions to follow through with more rate hikes throughout the year. Some economic reports are beginning to show weaker performance as higher rates start to make an impact, and economists and market watchers are increasingly warning of a weaker global economy. Canadian stocks ended August down 1.55%, impacted by higher rates, increasing pessimism, and generally weaker commodity prices. U.S. stocks declined 4.08% in U.S. dollar terms with broad losses and nine of the eleven S&P 500 sectors in negative territory. Canadian bonds lost 2.74% during the month as investors continued to digest the impact of further monetary tightening. Emerging Market equities outperformed, up 0.24%, positively impacted by nice performance in India, as well as solid performance in South Korea.

Here are some of August's most notable events:

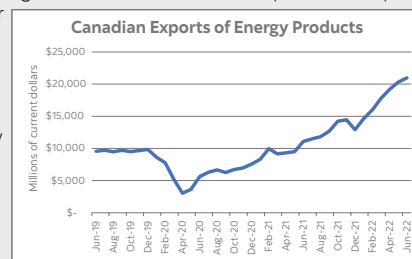
Bank of England hiked interest rates, projected long recession. This was the largest rate hike by the Bank of England (BoE) in 27 years and brought borrowing costs up to 1.75%. Inflation continues to be a concern for the region, as wholesale gas prices have nearly doubled since May, due to Russia's restriction of gas supplies to Europe. The BoE now expects inflation to peak at 13.3% in October, and to remain elevated throughout 2023, before falling to its 2% target in 2025. The bank issued a dismal economic outlook, projecting the U.K. will enter a recession in Q4 that will last five quarters.

Strong U.S. labour market showing slight signs of softening. Initial jobless claims in the U.S. for the week ended August 6 rose 14,000 to a seasonally adjusted 262,000, the second week in a row of increases. This was roughly in line with economists' expectations of 263,000. Economists have suggested it would take claims of around 270,000-300,000 to signal a material slowdown in the labour market. People continuing to receive benefits increased 8,000 to 1.428 million during the week ending July 30. At the end of June there were 10.7 million job openings in the U.S., 1.8 openings for every unemployed worker.

China rolled out 19 new measures to stimulate the sputtering economy. Chinese consumers – and the economy at large – have been battered by the challenging restrictions placed under the so-called Zero-Covid policy. Real Estate woes that have lingered for a while remained unresolved and the government's earlier crackdown on tech companies has wiped out a significant portion the sector's market value. The latest measures enacted by the Chinese government are valued at about USD 44 billion and have been pledged towards infrastructure. The People's Bank of China also cut a key interest rate for the second time this year, diverging from the tightening trend from most other major central banks.

Did you know?

A report released in August showed that Canada's merchandise exports increased 2.0% in June, driven by crude oil and gold exports. Imports rose 1.7%, mainly due to imported energy products. Canada's trade surplus with the world grew to \$5.0 billion in the month, up from \$4.8 billion in May. June exports of energy products increased 3.2% to \$21 billion, a record high. Crude oil and bitumen exports were up 3.7%, largely on higher volumes, although prices also increased. Exports of metal and non-metallic mineral products increased by 6.5% in June.



Source: Statistics Canada

INDEX†	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.17	0.55	0.59	167
Bonds (FTSE Canada Universe Bond)	-2.74	-11.31	-11.26	1,056
Canadian Equities (S&P/TSX Composite)	-1.55	-7.11	-3.26	19,331
U.S. Equities (S&P 500, US\$)	-4.08	-16.15	-11.25	3,955
Global Equities (MSCI World, US\$)	-4.14	-17.49	-14.65	2,627
Emerging Markets (MSCI Emerging Markets, US\$)	0.45	-17.31	-21.52	994

CURRENCIES†	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	-2.55	-3.74	-3.92	0.76
C\$/Euro	-0.88	8.94	12.87	0.76
C\$/Pound	2.12	12.10	13.71	0.66
C\$/Yen	1.51	16.19	21.35	105.82

COMMODITIES (US\$)†	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	-3.12	-6.23	-5.56	1,726
Oil WTI (\$/barrel)	-7.44	26.18	40.14	89.55
Natural Gas (\$/MMBtu)	11.20	148.29	164.02	9.13

† Total Return, as at August 31, 2022. Indices are quoted in their local currency. Source: Bloomberg

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