

November in Review

Stocks continued to rebound in November, for the second month in a row, as investors saw encouraging signs that inflation may have peaked. While central banks continued to tighten monetary policy, there is growing hope that the pace of rate hikes will slow. Canadian stocks ended November up 5.54% and are up 11.42% in the fourth quarter-to-date. The Canadian market was aided by rising metals prices, with higher precious and base metals prices driving the materials sector higher. U.S. stocks gained 5.59% in U.S. dollar terms, now up 14.14% in the fourth quarter-to-date with all eleven S&P 500 sectors in positive territory for the second consecutive month. Canadian bonds gained 2.81% during the month as investors move from worrying about rapid rate hikes to contemplating future rate cuts in the future with risks of a recession looming. Emerging Market equities rallied by an impressive 14.85%, driven by strong performance in China and India.

Here are some of November's most notable events:

Interest rate hikes continue, but there are signs tightening may slow.

November saw 75-basis point rate hikes from both the U.S. Federal Reserve (the Fed) and the Bank of England (BoE), as part of an ongoing effort to reduce inflation. This brought interest rates in the U.S. to the highest level since January 2008. Rates in the U.K. are now 3.0% amid a recession that began this summer. Minutes from the recent Fed meeting show Fed officials increasingly believe the majority of their tightening work is done, which was later supported by the encouraging October inflation report released in November.

U.S. inflation is showing encouraging signs of easing. The central bank monetary tightening of the past year appears to be taking effect, as indicated by the October Consumer Price Index (CPI) report. U.S. CPI in October showed prices up 0.4% from the previous month, and up 7.7% year-over-year. This was lower than the expected monthly inflation of 0.6% and the expected annual increase of 7.9%. Core inflation, which excludes food and energy costs, increased 0.3% for the month and 6.3% for the year, lower than the respective estimates of 0.5% and 6.5%. Inflation is still elevated but seems to have peaked.

China eyeing less restrictive COVID restrictions. Economic activity in China weakened in recent months. October retail sales contracted 0.5% on a year-over-year basis, the first decline since May. Growth in industrial production during October moderated to 5.0% year-over-year, below forecasts, while growth in fixed asset investment also slowed. Real estate investment fell, and residential property sales declined 28% year-over-year. The setbacks reflect the economic costs of China's Covid-zero approach, which has weighed on the country's growth this year. That said, recent policy changes may provide some much-needed relief as authorities begin to relax what have been very strict Covid protocols.

Did you know?

Contributing to long-term investments (e.g., for retirement) continues to be the most important financial priority for Canadians, as indicated by a recent Scotiabank survey. Of those surveyed, 60% save money monthly.

As investors move through life, often their cash flow will improve. While Canadians are saving monthly, many forget to adjust their plan as their financial circumstances change. It's a great idea to **revisit your pre-authorized contribution (PAC)** contributions on a regular basis

– especially after major changes, like paying off student debt or landing a promotion. While it's tempting to just set it and forget, it's amazing by how much more can be saved by increasing regular contributions – even a little.



Sources: Scotiabank Investment Poll, 2021. Scotia Global Asset Management Investor Sentiment Research, Fall 2021

INDEX†	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.32	1.40	1.40	169
Bonds (FTSE Canada Universe Bond)	2.81	-10.20	-8.70	1,069
Canadian Equities (S&P/TSX Composite)	5.54	-0.91	2.15	20,453
U.S. Equities (S&P 500, US\$)	5.59	-13.12	-9.23	4,080
Global Equities (MSCI World, US\$)	7.00	-14.09	-10.39	2,721
Emerging Markets (MSCI Emerging Markets, US\$)	14.85	-18.71	-17.11	972

CURRENCIES†	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	1.58	-5.76	-4.72	0.75
C\$/Euro	-3.54	3.02	3.81	0.72
C\$/Pound	-3.42	5.78	5.10	0.62
C\$/Yen	-5.64	13.04	16.26	102.95

COMMODITIES (US\$)†	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	6.34	-4.56	-1.58	1,760
Oil WTI (\$/barrel)	-5.68	16.27	29.56	80.55
Natural Gas (\$/MMBtu)	4.89	69.44	58.00	6.93

† Total Return, as at November 30, 2022. Indices are quoted in their local currency. Source: Bloomberg

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