

January in Review

Stocks charged ahead in January, gaining after a dip in the previous month. Concerns of an economic slowdown linger, but there are encouraging signs of resilience in the economy. Central banks have suggested they will continue tightening monetary policy until inflation falls, but there's increasing thought from investors that this may happen sooner than previously believed. Canadian stocks ended January up an impressive 7.41%, elevated by investor optimism that central banks could pivot on interest rate policy while also avoiding the risk of a recession. During the month, copper and gold climbed 10.90% and 5.60% respectively, although natural gas declined 34.60% while WTI crude oil dipped 1.96%. All eleven TSX sectors moved higher. U.S. stocks gained 6.28% in U.S. dollar terms, with eight of eleven S&P 500 sectors positive for the month. Canadian bonds climbed 3.09% on signs of easing inflation and the slowing pace of monetary tightening. Emerging Market equities also advanced 7.90%, driven by market gains in South Korea and China.

Here are some of January's most notable events:

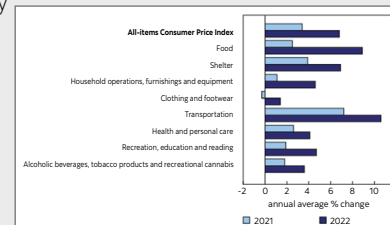
Inflation pressures appear to be easing. There was encouraging news on inflation in January, as data showed inflation continuing to come down from the high levels seen in the summer of 2022. Eurozone December data showed annual inflation of 9.2%, the first time it was in single digits since the summer. U.S. December inflation retreated for the sixth consecutive month at 6.5%. Canada's December inflation was 6.3%, down from the previous month, and below consensus expectations. The rapid monetary tightening from the world's major central banks seen throughout 2022 seems to be making an impact on inflation.

U.S. labour market remains strong. Despite concerns of a possible slowing economy, the U.S. jobs market continued to display strength. Hiring in December was robust, with total non-farm payrolls in the U.S. growing by 223,000. Jobs growth occurred in leisure and hospitality, healthcare, construction, and social assistance. The unemployment rate fell to a 50-year low of 3.5%, while labour force participation increased by 0.2% to 62.3%. Compensation gains cooled year-over-year, falling to 4.6% from the previous month's revised figure of 4.8%.

Central banks remain vigilant on inflation. Although inflation has come down from the recent peak, it remains much higher than central bank target levels, and central bank officials are making it clear their work to combat inflation is not done. Hawkish minutes from a recent U.S. Federal Reserve meeting show officials believe a slowdown in the pace of rate hikes is appropriate at this time, but this should not be perceived as a pivot as they don't anticipate rate cuts this year. Additionally, the Bank of Canada implemented its eighth consecutive rate hike in January, raising its key interest rate by 25 basis points to 4.5%.

Did you know?

Prices for food purchased from stores rose 9.8% in 2022, the fastest pace since 1981 (+12.0%), after increasing 2.2% in 2021. Food inflation was broad-based in 2022, with prices increasing on an annual average basis in every food category except for canned salmon (-1.4%). Among others, higher prices for dairy products (+8.6%), other food preparations (+10.1%), fresh fruit (+10.4%), fresh vegetables (+13.6%), and processed meat (+9.6%) contributed to the rise in grocery prices.



The supply of food was impacted by multiple factors, including extreme weather, higher input costs and supply chain disruptions. Russia's invasion of Ukraine created supply uncertainty in the global wheat market, putting upward pressure on prices for bakery products (+11.5%). Both countries are among the top 10 producers of wheat globally.

Source: Statistics Canada.

INDEX†	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.35	0.35	2.05	170
Bonds (FTSE Canada Universe Bond)	3.09	3.09	-5.75	1,084
Canadian Equities (S&P/TSX Composite)	7.41	7.41	1.64	20,767
U.S. Equities (S&P 500, US\$)	6.28	6.28	-8.23	4,077
Global Equities (MSCI World, US\$)	7.11	7.11	-6.96	2,785
Emerging Markets (MSCI Emerging Markets, US\$)	7.90	7.90	-11.86	1,032

CURRENCIES†	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	1.86	1.86	-4.50	0.75
C\$/Euro	0.36	0.36	-1.24	0.69
C\$/Pound	0.00	0.00	4.24	0.61
C\$/Yen	1.04	1.04	7.93	97.77

COMMODITIES (US\$)†	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	5.60	5.60	6.98	1,945
Oil WTI (\$/barrel)	-1.96	-1.96	3.53	78.87
Natural Gas (\$/MMBtu)	-34.60	-34.60	-39.40	2.68

† Total Return, as at January 31, 2023. Indices are quoted in their local currency. Source: Bloomberg

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