

Monthly Newsletter

BMO Private investment Counsel Inc.



Monthly Recap, April 25, 2023

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April juxtaposed against March seemed like much ado about nothing. One can't help to compare, but out of fairness to April, March was an unusually volatile month with a what seemed like a year's worth of catalysts happening over a couple of weeks. The markets have generally settled in April and all eyes are on earnings as first quarter results started to roll in setting the tone for much of what to expect in the rest of the year. Some of the highlights in April included.

1. The Bank of Canada met and on April 12th announced they would remain on pause from raising or lowering the key policy rate.
2. US CPI for March also came out on the 12th. Inflation came in lower than expectations at 5% year over year in the US, down from 6% in the previous month. One more report of this kind in May could give the Fed the breathing room to put themselves on pause from further rate hikes. The next report is due out on May 10th.
3. Canadian CPI data on April 18th indicated inflation continues to fall in Canada. Year over year inflation came in at 4.3% in the month of March. Down from 5.2% the previous month. Food and shelter costs remain elevated; however, the overall trend suggests the BoC is on the price stability track they are looking to achieve.
4. Earnings season got underway in the month of April. So far, most companies reporting have met or beaten expectations which is a bit of a surprise to the community of analysts. More to follow in the recaps on the specific markets.

Canadian Markets:

The TSX rose 2.77% in April from the previous month. A recovery in Canadian financials lead the way. BMO and were up 3-4% in the month of April while insurance giants Manulife and Sun Life gained 7.5% and 5% respectively. While a smaller weighting in the index compared to financials, technology firms punched above their weight class. Constellation Software was up 6% while Kinaxis and Shopify both gained 1% from the end of March.



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US Markets:

The US markets ended April higher than they began it. The S&P 500 gained 1.56% during the month of April largely due to big earnings beats in big tech and large financials. The tech heavy NASDAQ was even on the month despite large gains in Microsoft and META. Earnings in Alphabet and Amazon, albeit positive, gave the market pause for future earnings in the near term tempering the enthusiasm. The DJIA benefited the most as it improved by 2.49% in April off the backs of unexpected earnings beats from JP Morgan and Microsoft.

Global Markets:

Markets outside of NA continued to be impressive for the most part. The FTSE 100 in London pushed 3.2% higher in April off improved outlooks in the financial sector. The big economic engines of Germany and France continued to climb despite the political fallout with the latter after the announced pension reforms. The Nikkei 225 also rose impressively, up 3.12% to 10.58% YTD. The Hang Seng bucked the trend as it gave back its gains for the year once again ending the month down -2.56%. It now stands at 0.57% YTD.

Fixed Income Markets:

Treasuries in the US continued to be volatile given the uncertainty in the rate path articulated in the Fed minutes released on April 3rd. While the messaging from Chairman Powell appears that more work needs to be done to bring inflation under control, a greater divide continued to build in the economist and market strategies community on the future of the rate path. Some are thinking more hikes are needed while more and more are convinced the Fed needs to pause at their next meeting. The market implied rate curve is forecasting rate cuts for much of 2024.

Here in Canada, with the BoC on hold there was not much movement at the front end of the curve. However mid to long term rates continued to decline modestly keeping pace with the decline in headline inflation. The 5 year fell to under 3% while the 10 year fell 9 Bps to 2.83%. All this is a good indication that the Canadian fixed income markets are confident that inflation will return to under 3% in the near term.

World Equity Indices April 28th 2023

Index	Price	QTD	April	YTD
North American				
S&P/TSX Composite	20767.4	3.69%	2.77%	6.46%
S&P 500	4076.6	7.03%	1.56%	8.59%
DJIA	34086	0.38%	2.49%	2.87%
NASDAQ	11584.6	16.77%	0.05%	16.82%
Global				
MSCI EAFE	2108.3	7.23%	2.52%	9.75%
MSCI Emerging Markets	1044	3.07%	-1.42%	1.65%
FTSE 100	7771.7	2.42%	3.20%	5.62%
Nikkei 225	27327.1	7.46%	3.12%	10.58%
Hang Seng	21842.3	3.13%	-2.56%	0.57%

Fixed Income

Canada	Yield	QTD	April
Overnight	4.50%	0	0.00%
1 Year	4.50%	-0.15	-0.03%
2 Year	3.66%	-0.4	-0.09%
5 Year	2.98%	-0.44	-0.05%
10 Year	2.83%	-0.47	-0.09%
30 Year	2.93%	-0.35	-0.04%
US			
Fed Funds Target Rate	5.00%	0.25	0.00%
1 Year	4.78%	0	0.12%
2 Year	4.02%	0.04	-0.18%
5 Year	3.50%	0.02	-0.12%
10 Year	3.43%	0.01	-0.08%
30 Year	3.67%	-0.01	0.04%

