



Equity Market Update

Monthly Snapshot



At a Glance

1. Canadian equities, as measured by the S&P/TSX Composite Total Return Index posted a positive return of 3.35% (\$C) in June.
2. U.S. equities, as measured by the S&P 500 Index, posted a positive return of 6.47% (\$C) in June.
3. Global equities, as measured by the MSCI EAFE Index, posted a return of 4.40% (\$US) in June.

Canadian Equity Markets

Canadian equities, as measured by the S&P/TSX Composite Total Return Index posted a positive return of 3.35% (\$C) in June. While the gross domestic product (GDP) print for April was unchanged, the flash estimate for May showed a big increase. This sets up second quarter GDP to come in above the BoC's forecast.

Consumer price inflation cooled to 3.4% year-on-year (y/y) in May, down from 4.4% in April – right in line with market expectations. This marks the slowest pace of inflation in nearly two years. Prices at the pump were the main story. Favourable base year effects leave gasoline prices down 18.3% lower than a year ago. Excluding gasoline, the Consumer Price Index (CPI) rose 4.4% in May, following a 4.9% increase in April.

Shelter inflation eased slightly to 4.7%, down from 4.9% in April. Mortgage interest cost inflation keeps rising, up 29.9% versus a year ago in May. Statistics Canada (StatCan)¹ cited that it is the largest single contributor to the year-on-year pace of inflation. Excluding higher mortgage costs, inflation would have been 2.5% y/y in May.

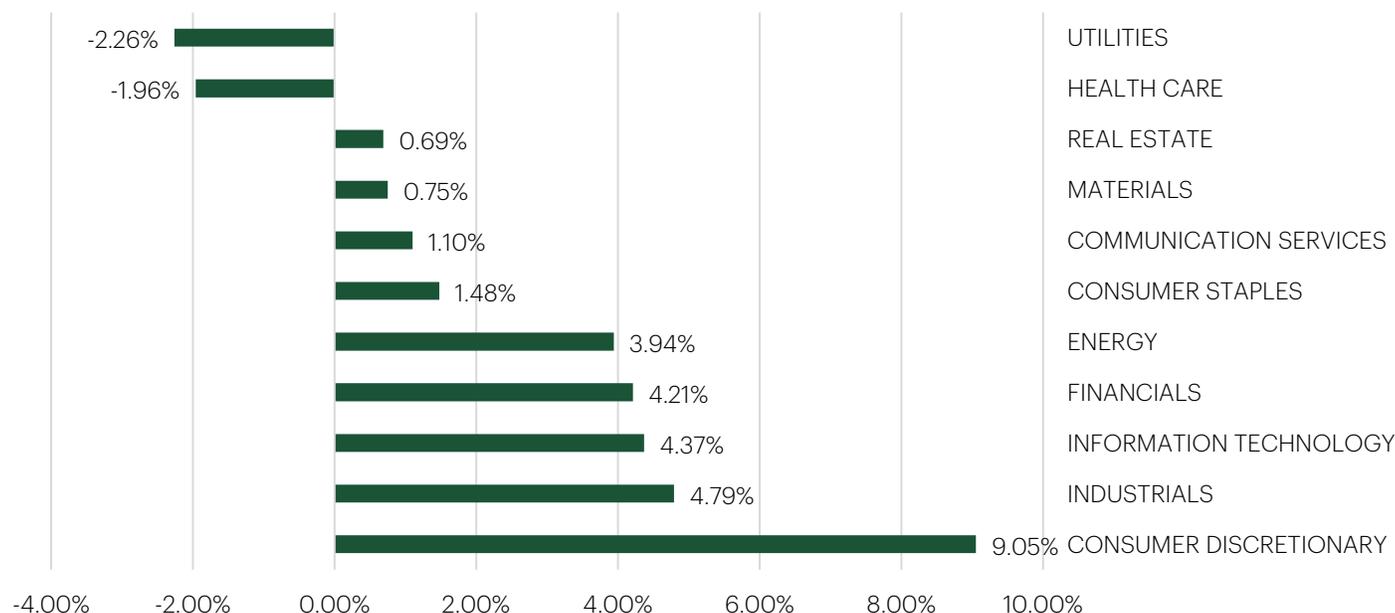
There were signs of easing price pressures for consumer goods. Clothing and footwear inflation was 0.7% y/y in May, down from 2.5% y/y in April and furniture prices were down 2.9% y/y, the smallest increase in three years. Overall durable goods inflation cooled to 1.0% y/y in May from 2.2% in April.

The Bank of Canada's underlying inflation pressures cooled below the 4% mark in May. Although there has been a notable improvement in overall Canadian inflation, underlying core measures reveal a big challenge going forward. The economy has continued to grow at a very healthy rate, supported by a surging population, which saw Canada welcome 292,000 people in the first three months of the year. This has kept up pressure on wages and domestic prices. Recent economic data prompted financial markets to cement expectations for another rate hike this summer.

¹Source: Statistics Canada, as at June 30, 2023

Canadian Equity Markets continued

Monthly S&P/TSX Composite Sector Returns



Source: TD Securities. As of June 30, 2023.

Indices

Index	Level	MoM	YoY
S&P/TSX Composite Index (C\$)	20,155.29	2.98%	6.86%
S&P/TSX 60 Index (C\$)	1,214.50	3.19%	5.94%
S&P/TSX SmallCap Index (C\$)	676.84	0.25%	2.86%

Source: TD Securities. As of June 30, 2023.

Economic Indicators

Key Economic Indicators	Level	Report Date
Real GDP (YoY %)	1.7	30-Apr-2023
Headline CPI (YoY %)	3.4	31-May-2023
Core CPI (YoY %)	3.7	31-May-2023
Unemployment Rate (%)	5.2	31-May-2023
Net Change Employment (000s)	-17.3	31-May-2023
Consumer Confidence	52.3	30-Jun-2023
Retail Sales (YoY %)	2.9	30-Apr-2023
Housing Starts (000s)	202	31-May-2023

Source: TD Securities. As of June 30, 2023.

U.S. Equity Markets

U.S. equities, as measured by the S&P 500 Index, posted a positive return of 6.47% (\$C) in June. Activity in the housing market has improved, new home sales rose to their highest level in May since February 2022. Real consumer spending grew slightly above market expectations in April, but consumer sentiment has continued to trend lower in recent months. This is in line with expectations for a more moderate spending growth profile this quarter.

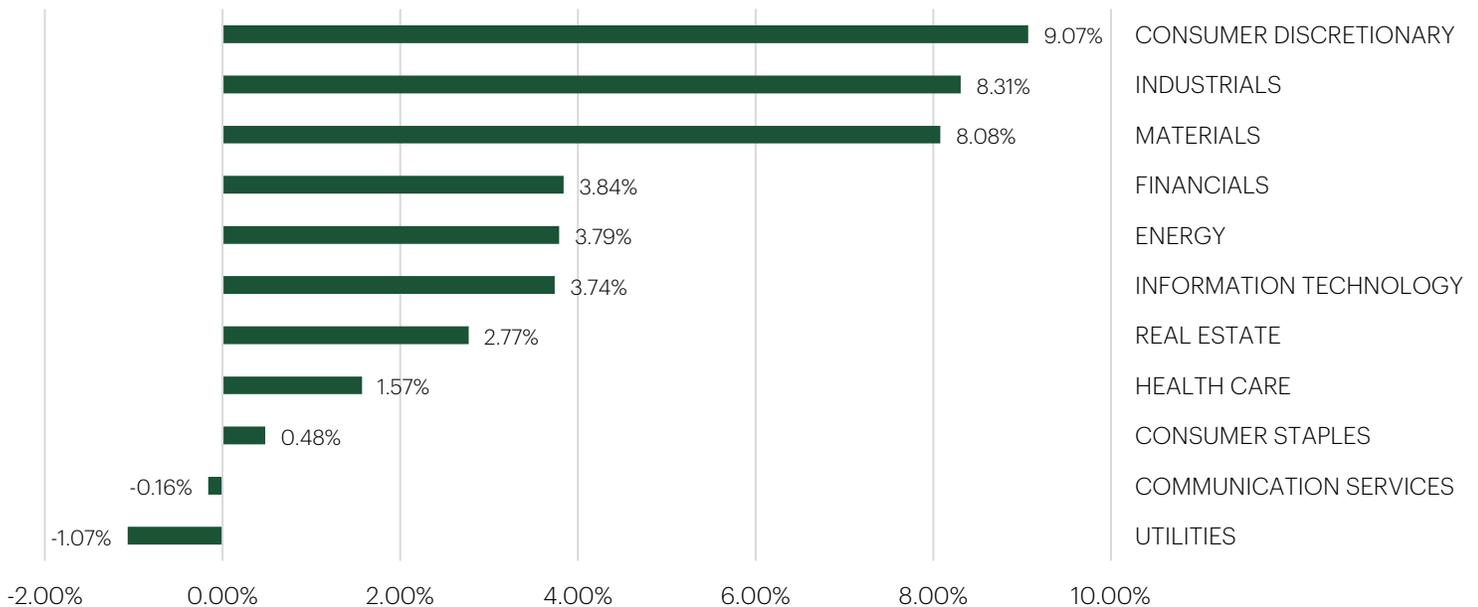
The industrial side of the economy saw manufacturers' new orders of durable goods blow out expectations for a contraction. Taking a closer look at a key indicator of business investment, new orders excluding defense and aircraft advanced a solid 0.7% in the month, and 0.3% month-on-month when stripping out the effects of inflation.

May's consumer spending report suggests that demand has paused from its strong start to the year. Real expenditures were flat for the third time in four

months, as an advance in services spending was offset by a drop in goods spending. Moreover, it looks like consumers are adjusting habits as they save a bit more of their disposable income. The personal savings rate ticked up to 4.6% in May, nearly two percentage points higher than its low registered in June 2022.

However, core personal consumption expenditures (PCE) inflation is showing little sign of relenting, up 4.6% y/y, with the near-term trend cruising along at 4.4% annualized. Inflation has been stuck well above the two percent target, which is likely to keep officials focused on tightening policy to cool it down. Markets are looking for the Fed to hike rates again this year by another 25 basis points – taking the policy rate to a 22-year high of 5.5%. The Federal Open Market Committee's next decision is at the end of July, giving it some time to see a few more readings on economic momentum before making its decision.

Monthly S&P 500 Sector Returns (C\$)



Source: TD Securities. As of June 30, 2023.

Indices

Index	Level	MoM	YoY
S&P 500 Index (US\$)	4,450.38	6.47%	17.57%
Dow Jones Index (US\$)	34,407.60	4.56%	17.22%
NASDAQ Composite Index (US\$)	13,787.92	6.59%	25.02%
Russell 2000 Index (US\$)	1,888.73	7.95%	10.58%

Source: TD Securities. As of June 30, 2023.

U.S. Equity Markets continued

Economic Indicators

Key Economic Indicators	Level	Report Date
Real GDP (YoY %)	1.8	31-Mar-2023
Headline CPI (YoY %)	4.0	31-May-2023
Core CPI (YoY %)	5.3	31-May-2023
Unemployment Rate (%)	3.7	31-May-2023
Change Non-Farm Payrolls (000s)	339	31-May-2023
Consumer Confidence	109.7	30-Jun-2023
Retail Sales (YoY %)	1.6	31-May-2023
Housing Starts (000s)	1631	31-May-2023

Source: TD Securities. As of June 30, 2023.

International Equity Markets

International equities, as measured by the MSCI EAFE Index, posted a positive return of 4.40% (\$US) in June. The global economy was rocked by crosswinds but has evolved largely since March. A common thread across advanced economies is that the post-pandemic inflation surge is proving harder to tame. Globally, data revisions may have pushed the euro area into a technical recession, but the European Central Bank (ECB) remains in tightening mode with inflation moving in the wrong direction and a tight labour market. The recent rise in European natural gas prices is a reminder of the persistent risk of shortages the region could face next winter.

China's economy burst out of a zero-COVID-19 world more vigorously than expected in Q1, but the near-term signals suggest it is slowing rapidly. Growth is expected to cool through the remainder of the year. Small rate cuts by the People's Bank of China (PBOC) are not enough to move the needle on their own, but if they presage broader stimulus measures, it could lead to an upgrade to the outlook.

Indices

International	MoM*	YTD*	YTD (C\$)
DAX Index	2.97%	22.21%	28.56%
FTSE 100 Index	1.15%	5.05%	11.82%
NIKKEI 225 Index	7.45%	25.75%	19.62%

Source: TD Securities. Returns listed are price returns. June 30, 2023.
*Based in local currencies.

International	MoM (\$US)	YTD (\$US)	YTD (C\$)
MSCI EAFE Index	4.40%	15.46%	18.62%
MSCI EM Index	3.23%	-1.12%	1.59%
MSCI WORLD Index	5.93%	16.52%	19.71%

Source: TD Securities. Returns listed are price returns. June 30, 2023.

Glossary of Terms

bps: Basis points. One basis point is equal to 0.01%.

CPI: Consumer Price Index, an indicator that measures the changes in prices of a basket of consumer goods and services.

DAX Index: Stock market index representing the 30 major German companies trading on the Frankfurt Stock Exchange.

Dow Jones Index: Dow Jones Industrial Average, a stock market index that measures the stock performance of 30 large companies listed on stock exchanges in the United States.

FTSE 100 Index: Stock market index of the 100 companies listed on the London Stock Exchange with the highest market capitalization.

GDP: Gross Domestic Product, the monetary value of all finished goods and services made within a country during a specific period.

MoM: Month over month.

MSCI EAFE: MSCI Europe, Australasia and Far East, an index that is designed to measure the equity market performance of developed markets outside of the U.S. and Canada.

MSCI EM: MSCI Emerging Markets, a stock market index that captures large and mid cap representation across emerging market countries.

MSCI World Index: A broad global equity index that represents large and mid-cap equity performance across developed markets.

NASDAQ Composite Index: A stock market index representing over 2,500 common equities listed on the Nasdaq stock exchange.

NIKKEI 225: Stock market index for the Tokyo Stock Exchange.

Russell 2000 Index: An index measuring the performance of approximately 2,000 of the smallest-cap American companies in the Russell 3000 Index.

YTD: Year to date.

YoY: Year over year.



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