

Banks Run

A Publication of BMO Capital Markets Economic Research • Douglas Porter, CFA, Chief Economist, BMO Financial Group

Equity markets rose this week, helped by softer headline inflation and solid bank earnings. The S&P 500 rose 0.8%, with banks jumping almost 6% as some bigger-cap names in the sector topped earnings expectations. Industrials and energy were also strong, while utilities and tech lagged. The TSX added 1.9%, with higher oil prices driving a 2.8% advance in energy.

The two big **economic events** this week were the U.S. inflation report and the Bank of Canada policy announcement. **U.S. inflation** came in cooler than expected, with headline CPI slowing to 5.0% y/y, down a full percentage point from the prior month's 6.0% y/y clip. In fact, that was the first sub-6% reading since September 2021, and the first sub-5% reading (March was actually 4.98% y/y) since May 2021. That's good news as inflation continues to scramble down the mountain. However, core inflation remains sticky, and actually accelerated by a tick to 5.6% y/y in March. Over the latest three months, the annualized core rate is still running at 5.1%, and even the 'supercore' services measure that strips out housing and energy is still running at 5.2% a.r. over the past three months. All in, good news on headline inflation, but still no relent in core metrics, which should keep the Fed on track to raise rates another 25 bps at its next meeting.

Meantime, the **Bank of Canada** is still on hold, leaving rates unchanged this week as widely expected. The Bank still leans on the hawkish side, saying that it *"continues to assess whether monetary policy is sufficiently restrictive to relieve price pressures and remains prepared to raise the policy rate further if needed to return inflation to the 2% target"*. Governor Macklem also spoke against market pricing for rate cuts in the second half of this year. And, we also [published piece this week](#) on why rate cuts might still be pretty far down the road. With that in mind, rate-sensitive sectors of the TSX performed relatively well and about in-line with broad index this week.

Finally, a number of larger **U.S. banks** rolled out their Q1 **earnings results** this week, with a keen market focus given recent events in the sector. In general, the results were rock solid. JPMorgan, Citi and Well Fargo all posted strong revenues and saw earnings top expectations. As the reporting period gets in full swing, consensus expectations call for a 5% y/y decline in S&P 500 earnings. Financials are pegged at +7.5% y/y, while consumer discretionary and energy look solid, but technology and communication services look to be material drags.

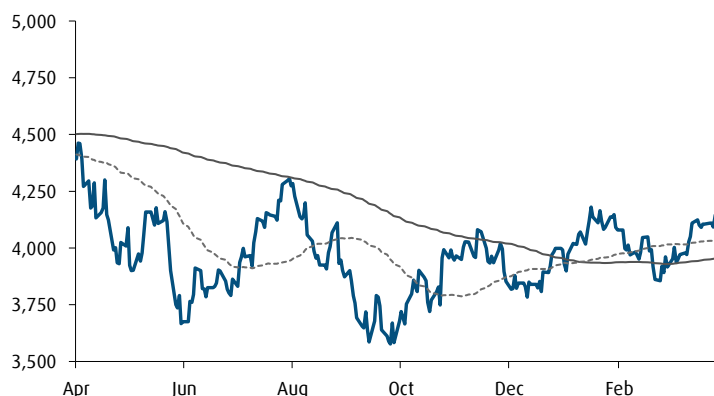
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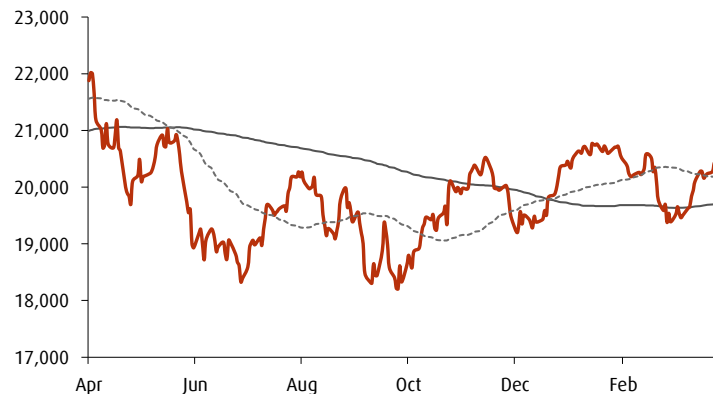
April 14, 2023		Performance (percent)					
	Current Price	1 Week	1 Mo.	3 Mo.	1 Year	Y-T-D	2022
Nikkei 225	28,493	3.5	4.6	9.1	4.9	9.2	-9.4
CAC 40	7,520	2.7	9.2	7.1	14.1	16.2	-9.5
S&P/TSX	20,580	1.9	6.2	1.1	-5.8	6.2	-8.7
FTSE 100	7,872	1.7	7.2	0.4	3.4	5.6	0.9
DAX	15,808	1.3	7.3	4.8	11.6	13.5	-12.3
Dow Jones	33,886	1.2	6.3	-1.2	-1.6	2.2	-8.8
S&P 500	4,138	0.8	6.3	3.5	-5.8	7.8	-19.4
NASDAQ	12,123	0.3	6.0	9.4	-9.2	15.8	-33.1
China CSI 300	4,092	-0.8	2.6	0.4	-2.4	5.7	-21.6
US\$/C\$	0.748	1.1	3.0	0.2	-5.7	1.4	-6.8

Major Index Performance

S&P 500 Index — 200-day ma --- 50-day ma



TSX Index — 200-day ma --- 50-day ma



North American Sector Performances

(% change over period)

Table 1 - S&P 500 Sector Performance

April 14, 2023

S&P 500 Sectors	1 Wk	1 Mo.	3 Mo.	1 Year	Y-T-D	2022
Banks	5.6	4.3	-15.6	-17.6	-9.9	-21.6
Financials	2.8	5.0	-9.0	-10.9	-4.1	-12.4
Energy	2.5	14.0	-2.9	10.3	-0.3	59.0
Industrials	2.1	3.3	-2.5	0.0	1.6	-7.1
Materials	1.6	7.1	-3.5	-8.9	4.1	-14.1
Cons Discretionary	1.3	4.9	5.2	-18.6	13.8	-37.6
Health Care	0.7	6.9	-0.7	-2.9	-1.1	-3.6
Telecom Services	0.6	10.5	14.7	-11.9	23.7	-40.4
Cons Staples	-0.3	3.9	0.5	-4.7	0.8	-3.2
Technology	-0.4	6.7	14.1	0.9	19.7	-28.9
Utilities	-1.3	3.3	-3.5	-9.4	-2.4	-1.4
S&P 400 Mid	1.7	3.8	-3.5	-5.3	2.4	-14.5
Russell 2000	1.5	2.0	-5.6	-11.2	1.1	-21.6
S&P 100 Large	0.6	7.0	6.6	-5.5	10.8	-22.1
S&P 500	0.8	6.3	3.5	-5.8	7.8	-19.4

Source: BMO Economics, Bloomberg

Table 2 - TSX Sector Performance

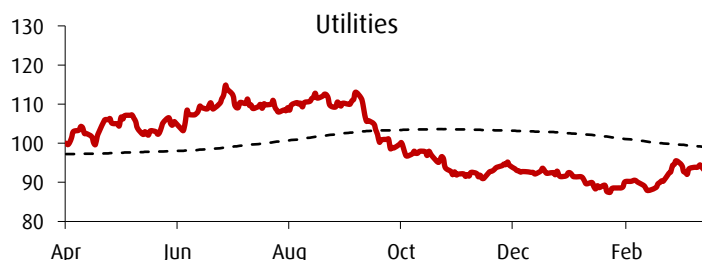
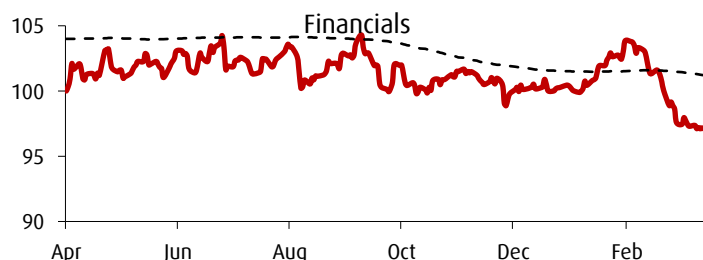
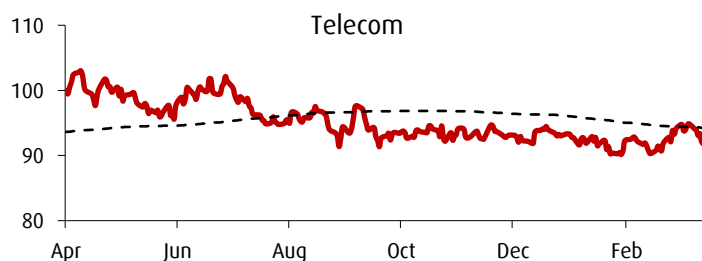
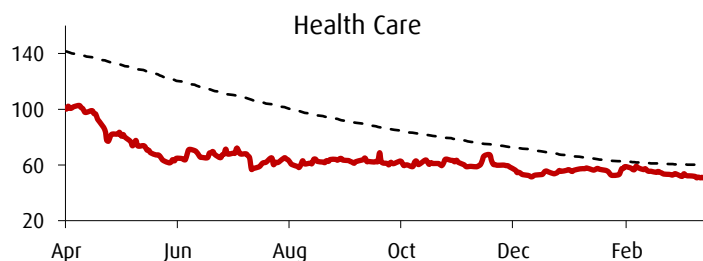
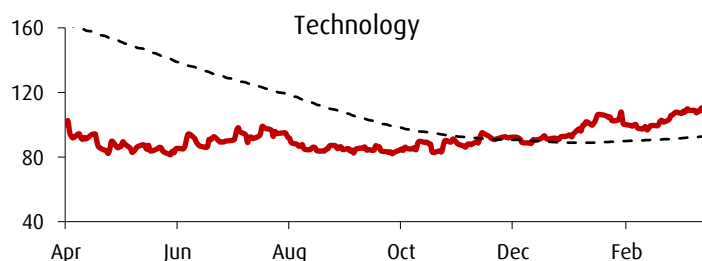
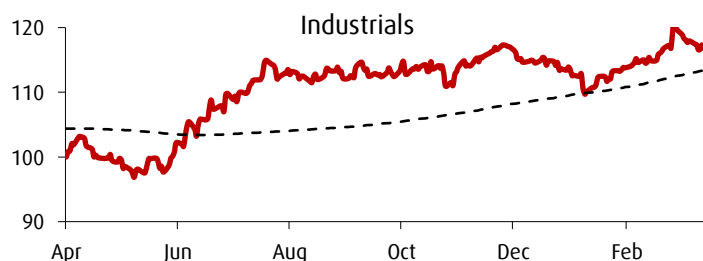
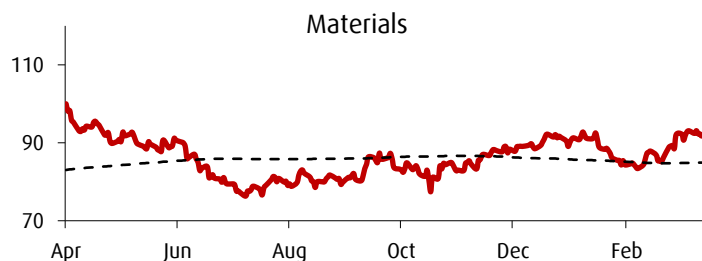
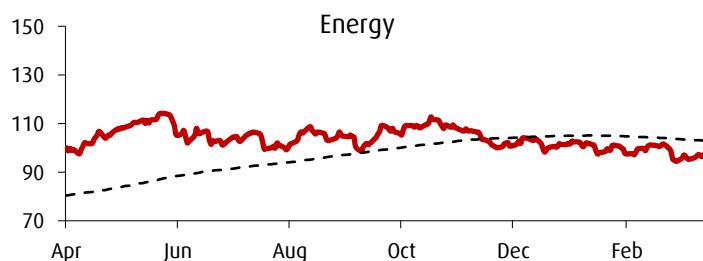
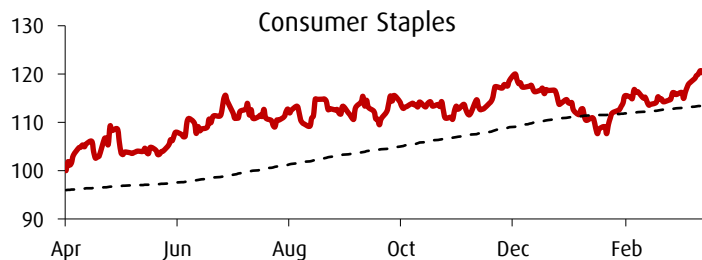
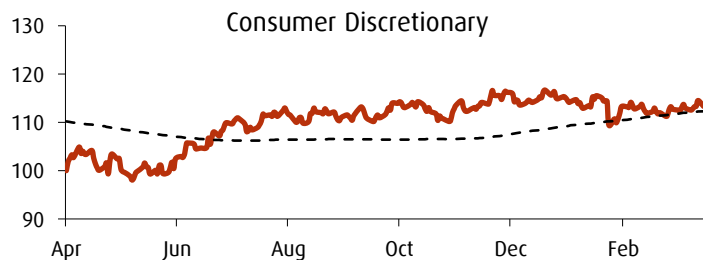
April 14, 2023

TSX Sectors	1 Wk	1 Mo.	3 Mo.	1 Year	Y-T-D	2022
Energy	2.8	10.8	-1.0	-5.4	1.7	24.4
Materials	2.4	12.7	4.8	-10.2	13.7	-0.2
Technology	2.0	7.7	17.5	1.3	26.1	-52.2
Industrials	1.9	2.0	2.3	7.5	6.6	0.2
Cons Discretionary	1.9	5.5	-1.6	5.2	4.0	-8.1
Financials	1.7	3.2	-3.2	-9.9	1.8	-12.7
Banks	1.7	2.6	-3.9	-11.4	0.5	-12.5
Telecom Services	1.2	6.3	2.1	-12.0	6.5	-7.0
Utilities	0.7	5.8	3.9	-11.8	8.3	-14.0
Cons Staples	0.3	8.6	5.3	11.3	8.3	8.5
Health Care	-1.8	-5.8	-14.7	-58.3	-5.8	-62.2
TSX Small Cap	1.9	5.2	-1.6	-15.3	5.0	-11.2
TSX REITs	1.5	-0.2	-3.8	-15.0	3.4	-20.5
TSX Preferred	1.1	1.5	-5.4	-15.5	0.6	-22.3
S&P/TSX	1.9	6.2	1.1	-5.8	6.2	-8.7

Source: BMO Economics, Bloomberg

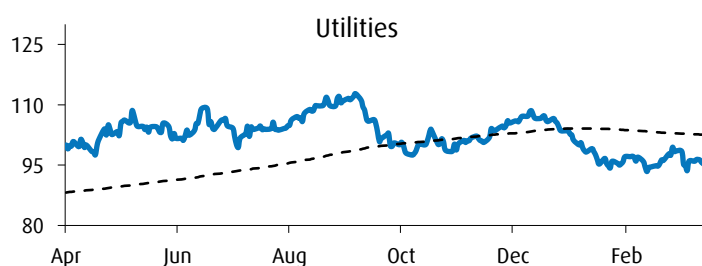
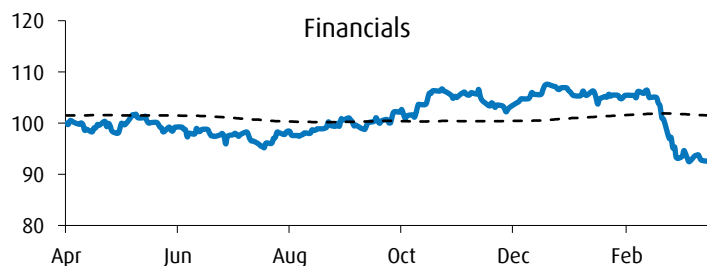
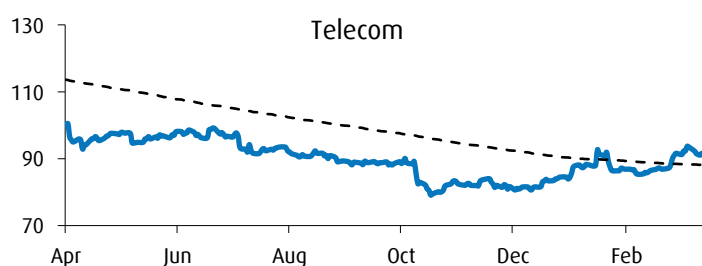
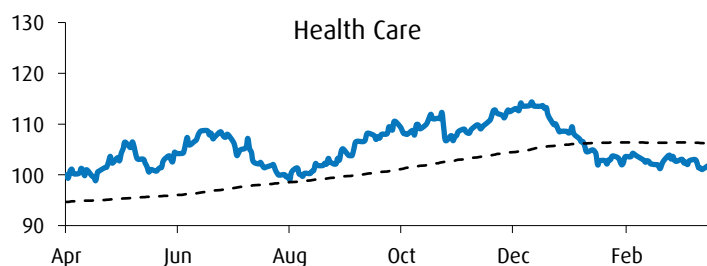
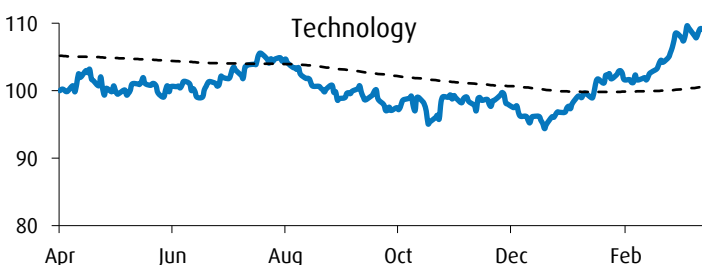
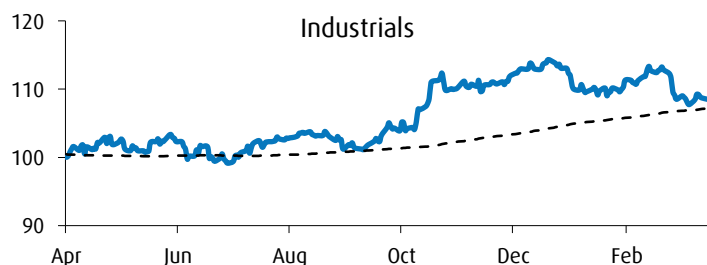
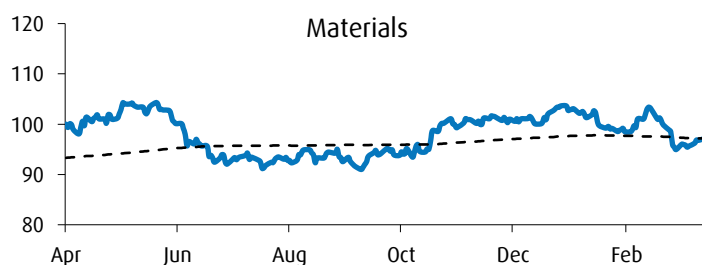
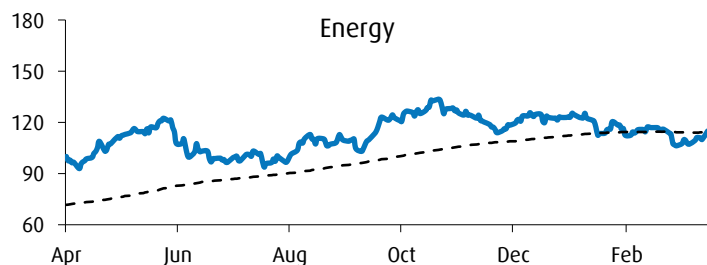
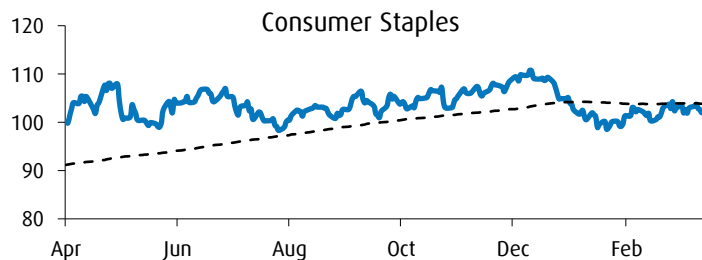
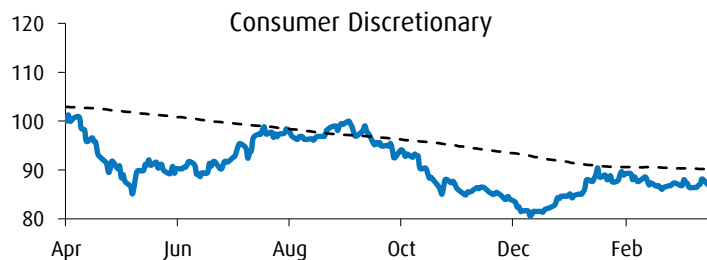
TSX Relative Sector Performance

(relative to the index, year-ago = 100; dashed line = 200-day m.a.)



S&P 500 Relative Sector Performance

(relative to the index, year-ago = 100; dashed line = 200-day m.a.)



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