CIBC PRIVATE WEALTH
WOOD GUNDY

ONE LONDON GROUP

THE JUNE CATCH-UP

2023

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Our Goal

The objective of this write-up is to inform and educate. Here at the One London Group, we strongly believe in the empowerment of our clients and the people within our community.

As they say,"knowledge is power".

Our intention is to give you, the reader, a straightforward yet informative read about the markets and economy that should take no more than 10 minutes to read. We hope you find it both interesting and valuable.

We appreciate any feedback and would love to hear from you.

Sincerely,
One London Group

See Disclosures and Disclaimers at the end of this report for disclosures, including potential conflicts of interest.

Canadian Market

Throughout May, there was a significant negative sentiment overhang due to the US debt ceiling issue. Now that an agreement has been reached, investors are likely to shift their focus back to concerns over a potential recession. Although the job data currently appears strong, with unemployment levels at a near record low of just 5%, questions loom about the resilience of the Canadian consumer going forward. Savings rates have dipped significantly following stimulus measures, and higher interest rates are dampening the purchase of high-priced items. Moreover, real estate sales and prices experienced an upward trend in May.

Bank of Canada hikes rates as inflation reheats

An unforeseen inflation surge of 4.4% has occurred, primarily due to escalating costs in the housing sector, including rent and mortgage expenses. Given the strength in employment exerting pressure on wages, coupled with economic and real estate growth, the inflation data came as a surprise. As a result, the Bank of Canada has revised its monetary policy, resuming the hike in interest rates to 4.75% in an effort to maintain economic stability.

CAD/USD	May	YTD	1 Year
0.74	-0.2%	-0.1%	-6.8%

Equity Market	Level	May	Year to Date
S&P/TSX Composite Index (CAD)	19,582.24	-5.16%	+0.97%

Year To Date	
Gold +7.6%	Oil -15.4%

Canadian Dollar Performance against USD

Equity Market	Level	May	Year to Date
S&P 500 (USD)	4,180	0.2%	8.9%
Dow Jones Industrials	32.908	-3.5%	-0.7%
Nasdaq	12.935	5.8%	23.6%

All Market data as of May 31, 2023 from Bloomberg

American Market

During May, discussions around the US debt ceiling caused turbulence in sentiment, which was evidenced by increased market volatility. Fed officials appeared divided over the course of action to take regarding interest rates, faced with a paradox in economic indicators. On one hand, there was a substantial increase in new jobs, on the next, wage growth was experiencing a slowdown. This dichotomy has created a quandary for policymakers.

Deal to raise debt ceiling made

The US debt ceiling deal will suspend the $31.4 trillion ceiling until January 2025. The deal also holds non-discretionary government spending relatively flat, increasing by 1% in 2024.

Real estate recovery

Real estate prices and sales both increased in May south of the border. If the Fed pauses rates as some commentary has speculated this should provide further fuel to the real estate industry.

Global Snapshot

- Global equity markets finished slightly lower in May.
- The US Fed, Bank of England, and European Central Bank all raised rates to combat inflation in May.
- China's post-lockdown recovery has shown weakness, in particular, weak factory production.
- Uneven global recovery: UK, Mexico, and Italy have risen forecasts after strong data from the first quarter. Germany, the largest European economy, experienced a technical recession in the first quarter.
- Service sectors continue to expand as the consumer has continued to choose experience over product. In consequence, manufacturing has lagged, while we can expect continued inflation pressures in the service sectors.
- Energy prices have fallen due to decreased demand. In reaction, Saudi Arabia has cut production.
- Core inflation (inflation excluding food & energy) has proven sticky.

Debt ceiling: how did we get here?

- US debt has reached $24+ Trillion
- Canada's debt to GDP is 45%
- Record national debt for Canada
- A US newborn is born into $72,700 – $93,000 of debt

How did the US end up here?

- Government lack of budgeting
  - Not since 2000 have they had a surplus
- Wars
  - Iraq x2, Afghanistan, and now funding Ukraine
- Stimulus spending
  - Financial Crisis of 2008, COVID-19
- Low cost of money
  - Extended period of low-interest rates at low once deemed "emergency measures"

Canadian Comparison

- We've learned our lesson – back in 1996 we had a debt/GDP of 71% until consecutive
- Government surpluses
- By 2009 we worked our way down to 29% debt/GDP
- Despite massive COVID-19 stimulus, our lack of relative war activity has kept spending in check
- Our debt per capita is approximately $28,800

Source: CIBC Monthly Markets Report - May 2023

One London Group

For over 40 years, we have provided our clients with a fountain of knowledge gained from over four decades of experience. Our award-winning team is comprised of highly qualified professionals that are committed to navigating the complexities of your financial situation providing personalized, comprehensive solutions that meet your needs and goals.

Our collective wisdom and customized approach serve as the cornerstone to delivering a best in-class experience – The One London Experience.

Portfolio Management | Estate & Succession Planning | Financial Planning
Registered Accounts | Alternative Investments | Tax Minimization | Charitable Giving

REPORT ON BUSINESS 2022 SHOOK
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We are honoured to have been chosen as one of Canada's Top Wealth Advisors: Best in Province for 2022 by The Globe and Mail and SHOOK Research.

If you have any questions in regard to the article or our team's services please reach out to **alex.turko@cibc.com** or give us a call at **519 640-7703**.

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The Globe and Mail has partnered with SHOOK Research for a second consecutive year of Report on Business magazine's ranking of Canada's Top Wealth Advisors, featuring two rankings for 2022: Canada's Top Wealth Advisors and Best in Province.

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