CIBC PRIVATE WEALTH
WOOD GUNDY

August 2023 Market Update

The dog days of summer are upon us. Unfortunately, we are also experiencing some of the worst and most devasting wildfires. Our thoughts and best wishes go out to those directly dealing with these tragic fire events.

As we enter September for the investment markets, the same issues and concerns continue to bring about more questions than answers from analysts and market strategists. As we wrote in July, the current market environment remains highly speculative. The same big technology companies dominate discussion and investor focus. These big tech companies account for much of the US market gains so far in 2023. The combined market cap of Apple, Microsoft and Alphabet (Google) is larger than the market cap of all global emerging markets. Volatility continues unabated in most investment categories. Over the past three years (start of the pandemic) the S&P500 Index went from 3,300 to 2,200 to 4,800, to 3,500, to 4,600 and now at 4,360. The price of oil went from $74 to $37, to $123, to $67, and now to $80. There is risk of volatility in every asset class. Owning bonds, preferred shares, GICs, the risk is interest rates go higher. Owning T-Bills, money market investments, cash, the risk is interest rates go lower.

Reasons for caution are many. This caution also means there is plenty of money waiting to be invested in longer term investments (ie. Equities, preferred shares). There are record levels of sidelined cash in T-Bills and High Interest Savings that could/should/would eventually make its way back into the economy and investment markets. Past periods of record money-market fund holdings has historically been followed by strong returns in equities.

Inflation and interest rates remain top of mind for many. Inflation, though slowing, and coming down, remains sticky and too high. The question as to whether both the Bank of Canada and the US Federal Reserve will raise rates 0.25% one more time in September/October remains. There are time lags between central bank movement in interest rates and the eventual impact on the economy. Personally, I believe that the central banks have done all they can with the interest rate hikes, and should not raise rates again. Time will show the levels of inflation will continue to abate. Unfortunately, central bankers don’t ask me my opinions.

As previously written, regardless of whether there is still another 0.25% interest rate increase to go, we should expect these same interest rates to come down slightly in the middle of 2024. We will not, however, see interest rates go back down anywhere near 0% that we saw 2 years ago. No more free money.

As investors, we will continue to remain focused on the longer term, and riding through the short term economic and geopolitical issues of the world. 2024 will see several key political elections in Taiwan, the European Union, Russia (okay, maybe not a real election), the US, British Columbia, and possibly Canada (though not required until 2025). These events will result in a lot of noise, and media attention, but less on fundamental economics and investment decision making.

We will always stay focused on what is important to achieving our long term goals and objectives. Financial success comes from seeing the long term and investing to get there. We look through the shorter term issues of recession, no recession, domestic and international political uncertainties.

Investment decisions and changes should always be made considering the fundamentals around what we own, or what we may consider owning.

A couple of other items:

1) I will be away on my annual road trip. I will be out of the office starting Friday, September 8th and will be back in the office on Wednesday, September 20th. Valerie and Isabella are always available to you in my absence.

2) We are awaiting additional information on the new First Home Savings Account (FHSA). A great opportunity for some of you, your children, and grandchildren. We will provide more information when available this fall.

3) It is always best practice to regularly monitor your bank accounts for any unusual activity and report any unrecognized transactions to your financial institution. To further ensure any unusual behavior is identified quickly, we encourage you to enroll in our Fraud Prevention alerts through CIBC Online and Mobile Banking. To do so, sign in to your Online or Mobile banking, select "Manage My Alerts," and choose "Fraud Prevention."

As always, remain optimistic yet cautious.

Best Regards,
CIBC Wood Gundy

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