



August 2024 Market Update

Welcome to the dog days of summer. We trust that summer has been enjoyable, and opportunities to relax with family and friends have been found.

As we wrote in the June update, volatility can be expected to increase and remain in the investment markets for the foreseeable future. Though July brought relatively stable, and positive, markets, August has brought the volatility. On August 5th (Canadian markets closed for the civic holiday) the US Dow Jones Industrials dropped by over 1,000 points (3%). This very sharp decline was in response to Japan's Nikkei Stock index fall of 12.4%. This was Japan's largest decline since the October 1987 drop. These market declines brought out the worst of the financial media exclaiming the start of a bear market crash, a global recession, and an economic crisis.

Several market pundits calling on the central banks of the world to immediately drop interest rates sharply to try to help solve the crisis. As usual, the financial media and these market gurus were wrong. By the end of the week, much of the market decline had been recaptured. All without central banks needing to take any action. Daily headlines take too much of our attention, and provide very little value in return. Tensions, turmoil and global worries will always exist. Eventually, we move past these worries and continue on. We should spend little time on the Yen carry trade (the main contributor to the Japan market drop) and more time on those items which improve our daily lives.

We can expect the volatility to continue in the investment markets. Global armed conflicts are at their highest level in many years. Economic and trade conflicts are increasing. The China economy continues to struggle, and the US has an election coming up to garner too much of our attention. While we do not want to ignore some of these very serious issues, we do want to look at how these events may impact our investments portfolios. Does war in the Middle East and Eastern Europe result in higher oil, natural gas prices? Does a weak economy in China impact Canada's sale of commodities and goods to Asia? How do the different outcomes of the US election impact the Canadian economy and our sale of goods and services to our largest trading partner? This last item is a topic that Canada must look at more seriously than we currently are. No matter who emerges the winner in November, the US is not likely to regain its desire for removing global trade barriers. Regardless of the outcome, increased and tougher trade terms will impact Canada and our economy. Time will tell us what that impact turns out to be. As long term investors we must look at the possible outcomes and provide some balance to ensure we are as well protected as possible in our portfolios.

Through any period of volatility, it is important to see any correction as a buying opportunity. Any serious risk of a major recession, though not currently on the horizon, may slow down that buying opportunity.

Interest rates in Canada have started to come down. The Bank of Canada, as expected, cut rates 0.25% in June and another 0.25% in July. I still expect the Bank of Canada to reduce interest rates a further 0.50% before the end of this year, with more to come in 2025. The US Federal Reserve has not yet started to reduce interest rates due to the strength of the US economy. With the US economy just now starting to slow down, the US Federal Reserve should cut rates 0.25% in September with possibly an additional 0.50% before the end of the year. If a recession can be avoided, these interest rate cuts should be positive for our investments.

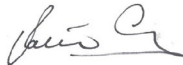
I will be heading out on my annual road trip to Southern California. I will be leaving Thursday, September 5th and will be back in the office Wednesday, September 18th. I will have access to my emails, and Valerie and Isabella will be in the office to assist you with anything you need.

As always, remain optimistic yet cautious.

Best Regards,
CIBC Wood Gundy



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