

June 2023 Market Update

Summer has arrived. So has, unfortunately, the forest fire season. Some of the fires are beyond our control (lightning strikes) while many of the fires are human caused (campfires, cigarettes, etc.). The devastation caused by irresponsible behavior is certainly unsettling.

As we approach the mid-point of 2023, the investment markets have certainly been better than 2022, but we have not yet seen a sustainable recovery in the equities and fixed income markets.

Inflation is hanging higher than expected despite the interest rate increases from most central banks. The Bank of Canada had hoped they were finished raising rates in January, but this past week saw the Bank raise rates another 0.25%. Though most measurements of inflation data point to slowing inflation, an area of concern remains the cost of labour. Wage demands (and awarded contracts) though slowing, remain too high. The demand for labour is slowing, and some businesses are now laying off workers due to slowing demand in their businesses. This helps the cost of labour issue, but not fast enough. As we wrote several months ago, one of the contributors to sky-high interest rates of the late 1970s, early 1980s, was cost of living allowances (COLA clauses) in labour contracts. When inflation went up, wage rates increased automatically. This resulted in higher inflation, which led to higher wages, which led to... and the spiral was on. We do not have anything even near these concerns today, but fiscal responsibility in some wage contracts is lacking. Most levels of government are also contributing to inflation. Taxes are inflationary. Increased costs of government services is inflationary. Some governments increase the cost of one of their services, and then charges a higher tax on this service. An increased tax on an increased tax. Fiscal responsibility needs to come in to the conversation at some point in time. Eventually we will run out of spending other people's money.

Still, we are much closer to the end of the financial and economic problems that started with the health pandemic in 2020.

Looking forward with our investments, we do not want to try to predict the unpredictable. Recently, a US-based investment firm surveyed institutional investors on where they saw the markets and interest rates for the end of 2024 (18 months away). The range of predictions was staggeringly wide. Anywhere from 3,400 to 5,000 for the S&P500 and anywhere from 2.00% to 5.25% for US interest rates. It shows that trying to make predictions, particularly about the future, is difficult. If we have a recession this year, it should be mild and short. If there is a recession approaching, we will not necessarily ignore it, but we will invest through it. It is impossible to get timing and economic swings right. We will continue to focus on what is important. Focus on what your personal investment goals and objectives are. If investment income (dividends or interest) are a priority, then are we meeting those income goals, and are we seeing increases to the income level (dividend increases). If growth is a priority, are we focusing on companies with longer term growth opportunities. If you are thinking about one-year time frames all the time, you are going to be stressed out. Focusing on 3-5 year time frames provides less stress, more opportunities, and a better measurement of meeting personal goals and objectives. The next few years is looking better and better.

A couple of other items:

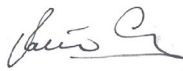
- 1) Please keep us informed of your carryforward capital loss, if applicable.
- 2) If you have set up a Power of Attorney or appointed an Executor for your Estate and would like to go over these details, please let us know and we can book a time to review this information. Similarly, please also let us know if you would like to review or make changes to your current beneficiaries.
- 3) Update your online passwords regularly to further protect your privacy.

As always, remain optimistic yet cautious.

Best Regards,
CIBC Wood Gundy



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