

## May 2023 Market Update

The summer season is finally upon us. Time passes quickly and we are already closing in on the midpoint of 2023. We all made it through a tough 2022 for our investment portfolios and have seen improvements so far in 2023. The past 15 months brought global military conflict, with spiraling inflation followed by sharply higher interest rates. Looking forward, we see a slow decline in inflation and what hopefully is an end to rising interest rates. The talk of a recession is now more dominant, but even if we do experience an economic recession, it should be short and not severe. It is tough to imagine a major recession while employment remains so strong. Anyone who wants a job can have one, but the number of jobs to choose from is declining. Recession, or no recession, global economic growth will be very slow for the next couple of quarters. There is a small expectation that the Bank of Canada and US Federal Reserve may start to cut interest rates before the end of 2023. I do not expect rates to be cut this year, but rates will be cut a bit in early 2024 to help kick start the economy. Investment markets usually begin a sustainable advance (ie. Bull market) before the economy begins its recovery.

The past several years have brought upon anxiety, concerns, fear and confusion. From the pandemic, to Russia attacking Ukraine, to extreme political division, inflation, interest rates, many people are uncertain and concerned about what the future will bring. Black swan theory refers to an event that is unexpected and therefore difficult to prepare for, but is often rationalized using hindsight that we should have seen it coming (even though we usually cannot). We have had many Black swan events over the last few years and probably will experience many more in the years ahead. Is it going to take another 100 years for the next global pandemic, or will one occur sooner. Political divisions continue to move to the many extremes (there is now more than just left and right). This leads to increased social conflict and less civility. This appears to be a part of the New Normal (or as has been written, the New Not Normal). The pathway to the future may become more jagged and unpredictable. Domestic and international politics have become more heated. These events can impact the economy (positive and negative) and the investment markets. Questions continue on the impact China will have on the global economy. How will the ongoing Russia attack of Ukraine impact food and other supply chains? Lately, we hear more about the developments in artificial intelligence (AI) and how this will impact our daily lives. One argument is that AI will save mankind, and another argument is that AI will be the end of mankind. So, like politics, extreme thoughts and ideas dominate conversation, while reality is probably somewhere in the middle. This is not meant to instill fear, it is simply a statement that the actions of individuals, businesses, and countries may well become more jagged and unpredictable.

So, the question is then – how does this impact our investment making decisions? As we have written many times before – change happens fast. From my perspective, if that change is purely cyclical (ie. Short, mild recession) we should continue to hold our good quality equity or fixed income investments. If the change however is structural (a potentially permanent change in the economy or a business sector, or an individual company) then we need to consider making changes to our investment portfolios. Cyclical changes happen often, structural changes are less often. Looking forward in our broken crystal ball, jagged and unpredictable can lead to an increase in structural changes at the company level. Many very good companies have made poor decisions that negatively affects their future. Other companies have made wise decisions that positively affects their future. The days of investing in a company and putting the certificate in your safety deposit box and never looking at it again are long gone. Change happens fast. Our job here as your Wealth Advisor Team, is to continue

to monitor investments and to ensure that your investments are best suited to helping you meet your financial needs and personal goals and objectives.

A portfolio of good quality investments provides the necessary resources to achieving these goals. Business cycles happen. Volatility in the markets occur. Success is the result of calm, rational decision making that allows us to deal with whatever economic or black swan event comes our way.

The best road forward brings us to a strong and positive future, but with more speed bumps along the journey.

All of our Market Update letters ends with the same last sentence. It is ever more appropriate today.

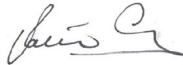
On a non-market related note, in mid-June our Team will be hosting a webinar on “10 Things All Women Need to Know About Taking Control of their Finances.” The presentation will be covering ways women can understand how they think about money, the importance of being prepared, and the three key things all women need for financial confidence. More information to follow.

As always, remain optimistic yet cautious.

**Best Regards,**  
CIBC Wood Gundy



**Ron A. McQuarrie**  
Senior Wealth Advisor  
250 361-2267  
ron.mcquarrie@cibc.ca  
linkedin.com/in/ron-mcquarrie



**Valerie Charron, FMA**  
Financial Associate  
250 361-2266  
valerie.charron@cibc.ca  
linkedin.com/in/valeriecharron



**Isabella Bottay**  
Administrative Assistant  
250 361-2268  
isabella.bottay@cibc.com

If you are currently a CIBC Wood Gundy client, please contact your Investment Advisor. Clients are advised to seek advice regarding their particular circumstances from their personal tax and legal advisors.

“CIBC Private Wealth” consists of services provided by CIBC and certain of its subsidiaries through CIBC Private Banking; CIBC Private Investment Counsel, a division of CIBC Asset Management Inc. (“CAM”); CIBC Trust Corporation; and CIBC Wood Gundy, a division of CIBC World Markets Inc. (“WMI”). CIBC Private Banking provides solutions from CIBC Investor Services Inc. (“ISI”), CAM and credit products. CIBC Private Wealth services are available to qualified individuals. Insurance services are only available through CIBC Wood Gundy Financial Services Inc. In Quebec, insurance services are only available through CIBC Wood Gundy Financial Services (Quebec) Inc. The CIBC logo and “CIBC Private Wealth” are trademarks of CIBC, used under license. “Wood Gundy” is a registered trademark of CIBC World Markets Inc.

This information, including any opinion, is based on various sources believed to be reliable, but its accuracy cannot be guaranteed and is subject to change. CIBC and CIBC World Markets Inc., their affiliates, directors, officers and employees may buy, sell, or hold a position in securities of a company mentioned herein, its affiliates or subsidiaries, and may also perform financial advisory services, investment banking or other services for, or have lending or other credit relationships with the same. CIBC World Markets Inc. and its representatives will receive sales commissions and/or a spread between bid and ask prices if you purchase, sell or hold the securities referred to above. © CIBC World Markets Inc. 2023 of CIBC.

Insurance services are available through CIBC Wood Gundy Financial Services Inc. In Quebec, insurance services are available through CIBC Wood Gundy Financial Services (Quebec) Inc.