



October 2024 Market Update

Autumn has arrived. Temperatures are cooling and seasonal colours are changing. As we head in to October, one seasonal investment event we did not see was the often-occurring August/September market sell-off. This does not mean that we won't see a correction begin in October, but the stereotypical late summer weakness did not come to be. At least this year. The stock traders who believe in the "sell in May and go away" theory, missed out on a market rally.

For investors in the Canadian markets, the past 6 – 9 months have been positive. Investors in gold have done well (weakness in the U.S. dollar), and those who invest in dividend producing equities have done very well. The recent period of out-performance by the dividend-payers comes mostly from the decline in interest rates. When interest rates were going up in 2022 to early 2024, dividends were still attractive, but GICs became competitive with rates at the same levels as the average dividend. As interest rates have started to come back down, current GIC yields are less competitive with many dividend paying equities, and thus an increased investment appetite for the dividend payers. Dividends are cool again. A focus on dividends has been important to our investment philosophy for a long time, and will continue to be going forward.

Interest rates have been declining globally as inflation has been moderating. Both Canada and the U.S. central bankers target 2% for an annual rate of inflation. Though not quite there yet, we are approaching these levels. Inflation is declining as the global economies are slowing down. The labour markets are loosening up as more people are chasing fewer jobs. The Canadian economy is still only growing at a pace slightly over 1%. The U.S. economy is also slowing down, but still at a pace of about 2.5% growth per year. With this economic slowdown, the financial media question of the day is whether we have a hard landing (ie. a recession) or a soft landing (no recession). Canada's economy has been growing only slightly quicker than recession levels the past 2.5 years and we need something that will stimulate growth. Hopefully lower interest rates will be part of the solution.

The decline in interest rates continue to provide support and benefit to the dividend-payers. My outlook (best guess) on interest rates in Canada is for two more cuts of 0.25% each before the end of the year. In 2025, we should see rates come down another 0.75% by summer.

A common question being asked these days is "what will the election outcome do to the stock markets?". While the question usually refers to the U.S. Presidential and Congressional Election, we do have an election here in B.C. on October 19th. Like most elections, it is disappointing to see the candidates trying to "out-promise" the other person. While we know very few, if any, of these promises will ever be brought to fruition, it would be good if any of the candidates discussed how they would propose paying for all of their promises. Good luck.

With the U.S. election in November, an important point that needs to be made, is that over the full-term of any President, their beliefs, promises and Party affiliation often makes no, or minimal, difference to how the equity market performs. The overall market performance during President Trump's term was almost identical to that during President Obama. President Biden's term is still underway, and as of now, the equity market performance is very similar to that of his two predecessors. The rhetoric around a Presidential candidate being good for business or being bad for business usually means little in the long run. A President's influence over business and the markets is well overrated. Still, both candidates

are campaigning and make promises ranging from increasing taxes, to cutting taxes. Tariffs on everyone, to tariffs on few. Given some of the controversial promises from both sides, the investment market may well be cheering for a divided government. If whoever wins the Presidential race does not have control of both the Senate and the House of Representatives, they will have a tough time getting much of their promised legislation approved by Congress. As long as neither party controls all three branches of Government, we will just continue to hear a lot of noise and bluster without any concrete approved actions.

Add to the political drama, the turmoil in the Middle East and Ukraine. There remain many issues that can increase short term volatility with investment markets. It is important that we, as investors, remain focused on what is important to us, and on our long term goals and objectives.

A couple of administrative items:

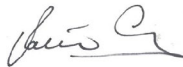
- If you have set up a Power of Attorney, appointed an Executor for your Estate, or have named beneficiaries for your registered accounts and would like to go over these details, please give us a call and we can review this information with you.
- A reminder that you can update your mailing preferences to include tax documents. The deadline to suppress your tax documents for this tax year is December 31, 2024. Please let us know if you need any assistance in reviewing your mailing preferences.

As always, remain optimistic yet cautious.

Best Regards,
CIBC Wood Gundy



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