MARKET & ECONOMIC SUMMARY

Volume 12, Issue 4 – October 2024

MARKET SUMMARY

Third Quarter 2024

S&P/TSX Composite TR

Q3	YTD	1 year
10.5%	17.2%	26.7%

S&P 500 TR (USD)

Q3	YTD	1 year
5.9%	22.1%	36.4%

MSCI EAFE GR (C$)

Q3	YTD	1 year
6.0%	16.3%	25.3%

ICE Bof AML Canada Brd Mkt TR

Q3	YTD	1 year
4.5%	4.2%	12.8%

THIRD QUARTER HIGHLIGHTS

- S&P/TSX Composite hits a new all-time high of 24,107.00 on Sep 29th
- S&P 500 hits a new all-time high of 5,765.14 on Sep 30th
- Canadian dollar range bound ending quarter at $0.7393 USD
- WTI Oil found an 18-month low of $65.27 USD on Sep 10th
- Bank of Canada lowered overnight rate by 0.50% to 4.25%

SUMMARY

The third quarter of 2024 saw global equity markets close higher, with major indices like the S&P/TSX Composite Index and S&P 500 Index showing significant gains. This positive performance was driven by falling inflation rates and interest rate cuts, which outweighed the periods of volatility in August and September. Canadian and U.S. bonds also rose during this period as yields continued to decrease.

Economic indicators presented a mixed picture. U.S. Q2 GDP grew by 3% annualized, up from 1.6% in Q1, while Canada's GDP increased by 2.1% in Q2. However, unemployment rates rose in both countries, reaching 6.6% in Canada and 4.2% in the U.S. by August. Despite these employment challenges, corporate profits in both nations showed growth from Q1 to Q2 and year-over-year.

Inflation continued its downward trend throughout Q3. Canada's Consumer Price Index (CPI) fell to 2.0% in August, while U.S. inflation hit a new three-year low of 2.5%. This decline in inflation rates allowed central banks to implement interest rate cuts. The Bank of Canada reduced rates by a half point in Q3, and the U.S. Federal Reserve made a larger-than-expected 50 basis point cut, lowering the federal funds rate to a range between 4.75%-5%.

Global economic developments were notable, particularly in China and Europe. Chinese equities experienced a dramatic reversal following major economic stimulus announcements in late September, erasing losses from the previous 12 months. In the Eurozone, inflation fell to a three-year low of 1.8% in September, prompting the European Central Bank to trim rates. In contrast, the Bank of England maintained its interest rate at 5%, citing the need for continued vigilance on inflation.

The commodities market saw mixed results. Oil prices declined throughout the quarter, further slipping in late September due to OPEC's decision to boost output despite tepid demand growth. On the other hand, gold continued its year-long advance, posting its biggest quarterly gain since 2016.

Looking ahead, markets are expected to benefit if the downward trends in inflation and interest rates persist. The OECD noted that falling rates and recovering real wages should support global growth through 2024 and 2025. However, potential turbulence from the upcoming U.S. presidential election and geopolitical tensions in the Middle East may temper this positive outlook. Furthermore, as an outlier event we're not entirely convinced inflation is no longer an issue as economic conditions continue to show strength moving into an easing cycle. Investors are advised to maintain a disciplined approach, focusing on long-term goals and portfolio diversification to navigate potential market fluctuations.

> *"the investor community continues to battle with a combination of confirmation, availability, and negativity biases which has many on edge"* – *Matthew Jenkinson*

STRATEGIC NOTES

Stock market sentiment often mirrors the dual nature of the characters Dr. Jekyll and Mr. Hyde. On one hand, investors can be optimistic and driven by positive economic indicators, leading to bullish market behavior. On the other hand, the same investors can quickly become pessimistic, driven by fear and uncertainty, resulting in bearish tendencies. This dichotomy shows how sentiment can swing drastically based on new information or shifts in the economic landscape.

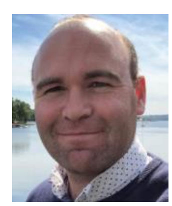
In the short run, the stock market is often described as a "voting machine," a term popularized by Benjamin Graham. This means that short-term price movements are largely driven by the popularity contest among investors, who cast their "votes" with their buy and sell decisions. This can lead to significant volatility as market participants react to news, earnings reports, and other immediate factors, sometimes irrationally, all of which we have an abnormal abundance thereof.

However, over the long term, the stock market behaves more like a "weighing machine." This concept suggests that the true value of a company, based on its fundamentals such as earnings, growth prospects, and financial health, will ultimately prevail. While short-term sentiment can cause prices to deviate from their intrinsic value, long-term investors believe that the market will eventually gravitate back towards its intrinsic value, reflecting the true worth of the underlying assets.

Understanding this dual nature of the market can help investors navigate the complexities of stock market sentiment. By acknowledging that short-term movements are often driven by emotion and speculation, while long-term trends are grounded in fundamental analysis, investors can make more informed decisions. This balanced approach can mitigate the risks associated with the volatile nature of the market, allowing investors to capitalize on opportunities when sentiment shifts.

The quarter can be summarized as sentimentally volatile. Positive sentiment forces were slowing inflation, stable employment, a global easing cycle, at home the Canadian economy improving, and significant stimulus in China to rescue an economy in crisis. Negative sentiment forces included Japanese monetary policy normalization and a new prime minister, US elections and assassination attempts, escalation of the middle east war, a US economy sending mixed signals, and general economic uncertainty. Most historical tightening cycles have ended with a recession, yet the majority of economic fundamentals are telling a minority story of a strong enough economy to expect a soft landing, but the investor community continues to battle with a combination of confirmation, availability, and negativity biases which has many on edge.

We remain fully invested, tilted defensively towards areas of the market with attractive valuation, using investment managers who have proven to navigate and manage through difficult and unpredictable conditions by remaining fundamentally grounded as long-term investors. We look forward to the weighing process and look beyond the voting machine.



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