NEWSLETTER

APRIL 2024 / QUARTER I

Global markets stormed out of the gate in the first few months of 2024. The combination of a strong consumer base and lower inflation levels created a positive backdrop for investor optimism. Although the stock markets are strong this quarter, the bond market dropped slightly due to increases in the 10-year bond yield in Canada.

Excess savings accumulated by consumers during the pandemic, along with a robust job market, have contributed to a resilient global economy, providing a buffer against some of the economic difficulties we've been facing. With interest rates above their short-term levels, however, it's expected that the global economy will continue to slow. While there is debate over whether Canada and the U.S. will enter a recession in 2024, these economies are likely to experience at least a slowdown in growth.

Company profits were one factor supporting equity returns in the first quarter. U.S. companies saw a solid profit growth of nearly 8%, as measured by the S&P 500 Index. In contrast, Canadian companies faced challenges, with a decline of nearly 9% as measured by the S&P/TSX Index. This difference in profit profile helps explain the performance gap between these two indices.

Inflation peaked in the summer of 2022 at 8.1% in Canada and 9.1% in the U.S. As of this past February, it has fallen to 2.8% and 3.2%. As a result, the Bank of Canada and the Federal Reserve have likely paused their interest rate increases. Investors are anticipating a shift towards rate cuts in 2024, with expectations of around three cuts of 0.25% each. While these predictions are likely to change based on economic conditions, it's much more certain that any cuts will likely occur in the second half of the year.

Despite a busy winter season here at Maude Financial, Statistics Canada reports that annual RRSP contributions decreased by 3.4% in 2022, following two years of significant increases in 2020 and 2021. As Canadians use (and reprioritize) their household savings following the pandemic, those contributing to TFSAs and RRSPs may be wondering how their investments will fare. Markets often respond to immediate events and news, and as always, are more predictable in the long term. Looking ahead in the near-term, a lack of significant developments may lead to a pause or modest market correction. However, the longer-term environment remains optimistic, and our balanced portfolio rates of return are between 4-5% for the start of 2024.

**Sources: BNN Bloomberg, Statistics Canada*

**Source: CNN Money, Jan 2/24 & Apr 1/24*	**Market**	**Dec 31/23**	**Mar 31/24**	**YTD**
Canada	TSX	19541	22167	13.44%
U.S.	DOW	37690	39807	5.62%
U.S.	S&P 500	4770	5254	10.15%
U.K.	FTSE	7733	7953	2.84%
France	CAC	7543	8206	8.79%
Germany	DAX	16751	18505	10.47%
Japan	NIKKEI	33464	40168	20.03%
Canadian $		75.59	73.84	-2.32%
Oil (U.S. $)	WTI	71.65	83.11	15.99%
Western Canadian Select	WCS	51.75	65.28	26.14%

**Listed above are the market numbers for December 31, 2023 and March 31, 2024. The YTD column shows the percentage change from the end of December 2023 to the end of March 2024.*

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