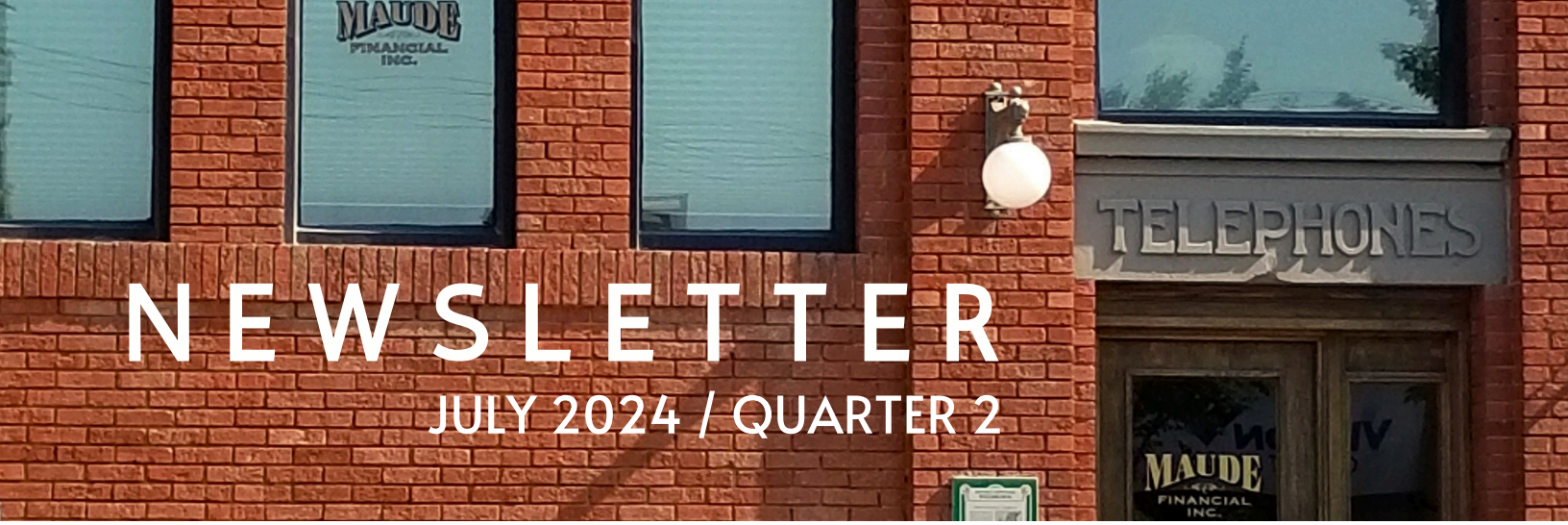

NEWSLETTER

JULY 2024 / QUARTER 2

Global markets continued to perform well in the second quarter of 2024, building on their strong start to the year. This positive trend was influenced by several factors, including healthy corporate profits, lower inflation, and the beginning of interest rate cuts by various central banks around the world. As they were last quarter, our year-to-date rates of return on our balanced portfolios are between 4-5%

The S&P 500, S&P/TSX Composite, and the MSCI World Index were up 15.3% (USD), 6.1%, and 12.0% (USD) respectively in the first six months of the year. Despite a rate cut by the Bank of Canada in June, Canadian and U.S. bonds (measured by the FTSE Canada Universe Bond Index and Bloomberg US Aggregate Bond Index) were down 0.4% and 0.7% (USD) respectively over the first half of the year.*

The big news for most Canadians in the past quarter was the Bank of Canada (BoC) cutting interest rates by 0.25% to 4.75%, marking the first rate cut since the central bank stopped raising rates last July. The key driving this decision is the significant progress made on the inflation front, regardless of the measure used. Specifically, four consecutive months of declining inflationary pressures were enough for the BoC to gain confidence that inflation is firmly trending down to target. The market anticipates at least two more rate cuts this year due to the continued decrease in inflation and weaker-than-expected economic growth.

*Bloomberg, as of June 30, 2024

Sources: The Globe and Mail, CNBC, BNN Bloomberg, Jan 2/24, Apr 1/24, Jul 2/24	**Market**	**Dec 31/23**	**Mar 31/24**	**Jun 30/24**	**YTD**
Canada	TSX	19541	22167	21876	11.95%
U.S.	DOW	37690	39807	39118	3.79%
U.S.	S&P 500	4770	5254	5460	14.47%
U.K.	FTSE	7733	7953	8164	5.57%
France	CAC	7543	8206	7479	-0.85%
Germany	DAX	16751	18505	18235	8.86%
Japan	NIKKEI	33464	40168	39557	18.21%
Canadian $		75.51	73.86	73.10	-3.19%
Oil (U.S. $)	WTI	71.65	83.17	81.54	13.80%
Western Canadian Select	WCS	52.30	69.88	66.27	26.71%

*Listed above are the market numbers for end-of-month market close for December 2023, March 2024, and June 2024. The YTD column shows the % change from the end of December 2023 to the end of June 2024.

Happy Retirement, Julie!

Our office is wishing all the best to Julie Zorn, who retired at the end of June. Julie worked for Maude Financial Inc. from 2002 to 2006, and re-joined our team in late 2019 - just in time, as it happened to turn out, to help us weather a global pandemic! We will miss Julie's expertise and knowledge, honed over her long career in the banking and finance industries. But most of all, we will miss her kindness. Julie's care and compassion for staff and clients alike has been apparent to anyone who has ever worked with her, and we know she will take her thoughtfulness, attention to detail, and listening ear into whatever she does next.

Thank you, Julie! We know you are going to shine in your next chapter.

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GICs: The Right Choice?

A desire to create a more stable, financially secure future is often what encourages clients to reach out to our office for the first time. Planning for retirement by contributing to RRSPs, TFSAs, and other savings plans is one way to find more certainty in a world full of unknowns. While some investors are prepared to stay the course through the highs and lows of the market, others feel worry as each bump in the road jostles their confidence. What if their investments won't carry them safely to their destination?

During market lows and periods of volatility, we often hear from clients expressing an increased interest in Guaranteed Investment Certificates (GICs). For the cautious investor, investing in GICs rather than the ever-changing market might sound like the perfect solution with no pitfalls. But are GICs creating the return on investment you will need to fund a comfortable retirement? Let's take a look at some of the questions you should consider before purchasing a GIC.

How long am I willing to lock up my money?

GICs are low-risk investments because they offer a guaranteed return of your principal and guaranteed rate of interest over a fixed term. Redeemable GICs can take between 1 and 10 years to reach maturity, and while they allow you to redeem your certificate early, you will likely be subject to a penalty or a reduced interest rate upon redemption. Non-redeemable GICs, which might offer higher interest rates, cannot be cashed out before maturity except upon the death of the owner or, depending on the contract, in cases of severe financial hardship.

To see the returns you expect, you must keep your funds invested in a GIC until the maturity date, and depending on the purchase amount of your GIC, this might mean that a significant portion of your financial assets will be non-liquid for a long period. It is important to consider how long you are able to be without access to these funds, and decide whether you are prepared for any unexpected or urgent expenses that might arise.

Am I keeping up with the cost of inflation?

The GIC interest rates offered by financial institutions will fluctuate over the years. In late May of 2024, the most typical interest rate for a 5-year GIC being offered among Canada's chartered banks was 3.95%. During the same period in 2014, the most typical interest rate offered was 2%.* Canadians paying attention to the headlines (and to their wallets) will know that inflation has the power to outpace wage growth and reduce investment returns, and because GICs often offer limited interest rates compared to higher-risk investments, after tax and after inflation, you are likely to lose purchasing power over time. At 2% annual inflation, goods which cost $1,000 today would cost $1,486 in twenty years – that's 40% more money needed to purchase the same item! To protect yourself from inflation, you must focus on the long-term returns on your investments, and not just the interest rates at any given moment.

Is there a better time for GICs?

During the growth phase of wealth accumulation, you can benefit from a hands-off approach by making regular (monthly, for example) contributions to your retirement accounts and patiently riding the highs and lows of the market. By investing at automated intervals, you are engaging in an approach called dollar-cost averaging: Instead of trying to time the market and putting yourself at risk of missing the market's best days, you will spread out risk over time, buying more investment units at lower prices and fewer units at higher prices. This approach will likely yield better results long-term than close monitoring of the markets, and will cause you much less stress, too!

If you are planning for retirement within 10 years, it is essential to take stock of your investments and assess whether you need to preserve your capital. Risk reduction can be achieved by changing the distribution of your invested funds, or by placing a portion of your assets in a GIC. When retirement income begins, we often encourage our clients to have 2 or 3 years of income invested in GICs or Guaranteed Interest Accounts, which protects your money from downturns. When it comes to purchasing a GIC, it's not just the interest rate guarantee that matters – it's the timing and the strategy.

*Statistics Canada, Table: 10-10-0145-01

MAUDE FINANCIAL INC.