November 2, 2022

October was a better month for investors as equity markets rallied defiantly despite ongoing news headlines about rate hikes, inflation and mixed earnings from major U.S. tech and banking companies.

Market developments

- *U.S., Canadian and global equities bounced back from a disappointing Q3, rising through the month before dipping on the final day as investors looked to the next Fed meeting at the start of November.*
- U.S. and Canadian bond yields continued moving north on interest rate expectations but at a slower pace as optimism emerged the worst of the re-pricing and market drawdown might be behind us.
- U.S. companies across a broad range of sectors released quarterly earnings and despite mixed tech and banking results, were overall perceived as resilient with consumer demand holding up.
- There were a number of positive U.S. and Canadian economic indicators during the month. U.S. hiring remained solid, jobless claims fell, consumer spending increased, and GDP grew a respectable 2.6%. In Canada, job vacancies grew, the unemployment rate fell, and house prices continued cooling.
- Oil prices seesawed, rising after an OPEC cut, then falling due to global economic slowdown concerns, before rising again on strong U.S. GDP growth and finishing October near US$90 a barrel.
- The loonie, labeled a “petro-dollar” strengthened against the greenback on rising oil prices and improved investor sentiment. The US dollar is seen as a safe-haven and buffer against rate hikes.
- U.S. inflation eased fractionally from 8.3% to 8.2%. Although this was the third consecutive month inflation had dipped, it was considered disappointing by investors as core inflation, which excludes food and energy, hit a four-decade high. The Fed is scheduled to meet at the beginning of November and make its next interest rate announcement with markets anticipating a fourth straight 0.75% hike.
- In Canada, inflation moderated 0.1% as well, from 7% to 6.9%, but this was also higher than hoped. The latest reading again largely stemmed from falling gasoline prices, cancelled out by expensive grocery costs. As its next move against inflation, the Bank of Canada increased its benchmark rate 0.50% to 3.75%, which surprised many economists who were forecasting a second 0.75% raise in a row. Bank governor Macklem noted rate hikes are starting to have an effect, but more are required.

How does this affect my investments?

The outlook for interest rates and inflation continues to steer markets. Although still high, the early signs are inflation has most likely peaked. A clearer indication will be after a few months of definitively declining inflation. Then we may see central banks shifting to smaller rate hikes, bond yields stabilizing, and equities begin a sustained recovery. While volatility is stressful, it is a normal part of investing, even providing buying opportunities for some fund managers. History has also proven investors are rewarded over the long-term.

Regardless of where we are in the market cycle, it’s important to take a disciplined approach to investing and stay focused on your long-term goals. This strategy helps you keep your emotions out of investing, typically buying high and selling low like many investors do. Ongoing monitoring and reviewing of your portfolio also ensure it remains on track. Diversifying investments reduces risk as well.

We are here to support you in achieving your financial goals. Please do not hesitate to contact us, 250-785-9603.

Dean Falkenberg

#2-11116 100 Avenue, Fort St John, BC, V1J 1Z8 Tel: (250)785-9603 Fax: (250)785-9633 Email: yourlife@dfcl.ca