The 2023 recovery continued in June. Here's a summary of the notable events that steered the markets.

Monthly market developments

- U.S. Canadian and global equities ended the month, quarter and first half of 2023 in positive territory. Technology was again the leading sector with the Nasdaq logging its best start to a year on record.
- U.S. and Canadian bond yields were stable as the ongoing focus on rate hikes and inflation was mitigated by worries over the U.S. debt ceiling drama and recent regional bank failures subsiding.
- Democrats and Republicans in Congress agreed to extend the U.S. debt limit until 2025, bringing an end to potential default fears. They also agreed to a discretionary spending cap for the next two years.
- Saudi Arabia, the world's largest oil producer and a leading member of OPEC announced its second production cut in three months, reducing output by another one million barrels a day.
- U.S. employment numbers once again portrayed a resilient job market which investors and central bank policymakers found encouraging, especially as there was also a reduction in wage pressures.
- A survey of U.S. small and medium size businesses revealed hiring, sales expectations and credit availability have at a minimum slowed, which are positive indicators in the fight against inflation.
- The Bank of England, European Central Bank and Reserve Bank of Australia continued raising rates for the second month in a row by 50 basis points, 35 basis points, and 25 basis points respectively.
- The broader inflationary trend in the U.S is that prices are easing, albeit at a slow pace. Core CPI, which excludes energy and food, was up 0.44% led in part by housing costs and used car prices. As Fed chair Powell hinted in May, the Fed took a 'hawkish pause" leaving its target rate unchanged, after raising it 10 times in 15 months, but signaled there might be more hikes needed this year.
- Canadian inflation cooled 1% to 3.4%, its lowest level since June 2021.This was largely due to lower gasoline prices although food and housing costs remain elevated. After a four-month break, the Bank of Canada surprised by hiking rates 25 basis points to 4.75%. The decision was based on concern over excess demand in the economy, a tight labor market and increased housing market activity.

How does this affect my investments?

This round of rate hikes has sent a clear message: The battle against inflation is ongoing and far from over. Consumer demand for goods and services sector prices remain high, housing activity is increasing again while wage growth is much higher than historical averages. In response, central banks are prepared to increase rates further. But going forward, we expect to hear more questions on the ability of monetary policy alone to solve more structural economic issues, such as labour and housing market imbalances.

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