CI ASSANTE WEALTH MANAGEMENT

CorePlan FINANCIAL INC.

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After the holiday season rally, the forecast was for a performance hangover in January, but it ended up being "steady as she goes" for investors. Here's a summary of the main events that steered the markets.

Monthly market developments

- Despite dipping at the end January after the Fed signaled rate cuts aren't imminent, U.S., Canadian and global equities still managed to post a third straight month of gains and start 2024 in the green.
- Bond yields were stable through most of January before swinging up and down on the Fed's statement, though are still lower than their October peak, which was their highest level since 2007.
- Fueled by its move into AI through its investment in ChatGPT maker Open AI, Microsoft became the second company to reach a market cap US$3trillion, joining Apple which achieved this last year.
- Oil prices rose to a two-month high, topping US$76 a barrel on falling U.S. inventories, optimism Chinese stimulus measures are working and continued Houthi militia attacks in the Red Sea.
- China announced a 50 basis point reduction in its reserve requirement ratio for financial institutions and a 25 basis point cut in SME and agriculture relending and rediscount interest rates. These stimulus measures aim to boost liquidity, support credit extension, and stimulate activity and growth.
- U.S. Q4 GDP data released in January highlighted again the resilience of the U.S. economy, which grew 3.3%, surpassing expectations of 2% and resulting in above-trend 2.5% growth for 2023.
- U.S. CPI increased 0.3% to 3.4% on food and housing costs. This is still significantly down from its 9.1% peak in the summer of 2022, a 40-year high, suggesting the Fed is achieving a "soft landing" for the economy where inflation falls without triggering a recession. The Fed held rates again at 5.25-5.5% with Fed Chair Powell saying inflation needs to come down further before there are rate cuts.
- Canadian CPI also rose from 3.1% to 3.4%. The persistent issue of shelter costs, exacerbated by limited housing supply, remains problematic. The Bank of Canada can influence mortgage interest costs by lowering rates, but supply is a government issue that will take time to resolve. The Bank of Canada opted to hold rates at 5%, for its fourth consecutive meeting, however, governor Macklem stated if the economy evolves in line with bank forecasts future discussions would be about rate cuts.
- The European Central Bank joined the Fed and Bank of Canada in keeping interest rates unchanged.

How does this affect my investments?

Central bank policy, slowing global growth and cooling inflation will continue to be the main drivers of financial markets in 2024. The remnants of rate hikes from last year may linger a bit longer and a slowing economy will present a challenging period early in 2024. The timing of rate cuts will be determined by the pace at which inflation moves towards 2%. On the bright side, there is little reason to expect a severe slowdown, and rates cuts should ultimately stimulate economic activity.

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.

Sincerely,
Dean Falkenberg

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