

FINANCIAL ECHO – JUNE 2023

Dear clients,

We are delighted to present to you a review of the first months of 2023, as well as our guiding thoughts for the coming months. You will find below the three highlights that we have retained in the first semester.

American stock market

First, the enthusiasm of investors in the United States for large-cap technology stocks has pushed the S&P 500 stock market index to a significant outperformance compared to other major stock markets around the world. However, this surge remained very concentrated in just seven major tech stocks, which occupy nearly 30% of the S&P 500 index, while the other major sectors were much more muted. Such a gap within the US stock market itself could make this market more vulnerable in the event of a sharp economic slowdown in the coming months.

International Stock Markets

Thereafter, global equities attempt a breakthrough in the second half of the semester, after being stuck in a narrow range for the past few years. The European market posted above-average results overall, particularly in Spain, the Netherlands, France, and Germany. Emerging markets, for their part, also posted surprising results, specifically in Mexico, Taiwan, Brazil, and South Korea. As in the United-States, the recent improvement in Canada is closely linked to the outperformance of the technology sector. On the Pacific side, we observe below-average results, except for Japan.

Central Banks

Finally, the central banks in the United States and Canada had to raise their policy interest rates again, in response to the elevated inflation, the surprising resilience of consumption and the strength of the employment market.

Based on these findings, we expect central banks to reaffirm their determination to fight inflation, potentially with further rate hikes, regardless of the short-term consequences on financial markets and the economy. Thus, out of prudence in our asset allocation, we are maintaining our preference for cash and shorter-term fixed income. These asset classes have become profitable, thanks to the sharp rise in interest rates, and offer very low risk, especially for clients in the disbursement phase.

With the first half of the year behind us, we watched various markets and sectors perform against our more moderate expectations, emphasizing the importance of staying informed and adapting to changing conditions. Together, we are now entering the second half of 2023 with confidence, and we will continue to support you in achieving your financial goals.

We wish you a summer filled with opportunities, health, and happiness.



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I have prepared this commentary to give you my thoughts on various financial aspects and considerations. This commentary reflects my opinion alone, and may not reflect the views of National Bank Financial Group. In expressing these opinions, I bring my best judgement and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of my informed opinions rather than analyses produced by the Research Department of National Bank Financial.

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