SUMMER 2024

# Info SIGMA

## Market Review

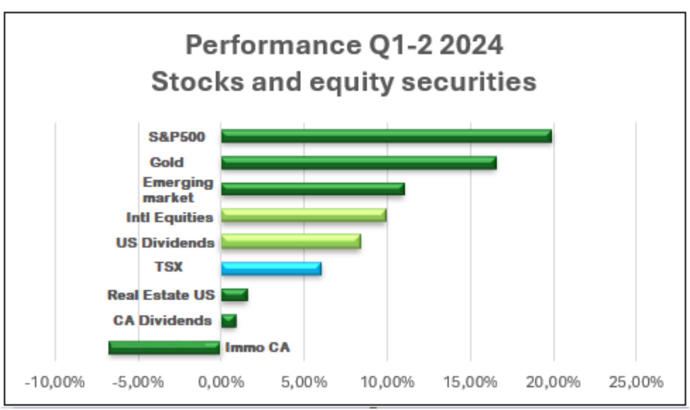
30 June 2024

Everyone's eyes are still on central banks and rising prices. Despite lower inflation and good news in general, economic indicators continue to paint a mixed picture. Markets are navigating between the hope of a soft landing for the economy and a not so soft landing. A soft landing is by far the best scenario one could wish for. A slightly deeper slowdown than desired would certainly have some impact on the markets, but not necessarily dramatic for most sectors. Sectors that are currently very overvalued are likely to bear the brunt of the impact of such a slowdown. On the other hand, most stocks are not overvalued despite the surge in a limited number of stocks, especially those related to AI.

There is a marked desynchronization in the reaction time of the various central banks' interest rate policies. Canada and the European Central Bank have already cut rates by 0.25% in the past month, with possible additional cuts in the coming months. The Federal Reserve, for its part, is facing much more robust economic activity than the rest of the G7 following strong productivity growth that is helping to ease inflationary pressures. The result is an economy that is doing very well with little pressure on prices and wages for the moment. The Fed is in no rush to intervene under the circumstances.

The particularly tumultuous geopolitical scene adds to the uncertainty. England and France have just experienced elections that saw the governments in place given their walking papers, once again reflecting the appetite for change on the part of the electorate. Canadian and U.S. political leaders will face the same challenge in the near future.

Stock market indices have performed quite well in the first half of 2024. The S&P 500 continues to be propelled higher by the performance of large-cap growth stocks. The index ended the half-year up 19.88% (with a 3.64% gain for the US dollar) Preferred shares, which belong to the Fixed Income portion of the portfolios finished in second place with a return of 14.19%, following a year of underperformance in 2023. Gold comes in third, with a return of 16.53%.

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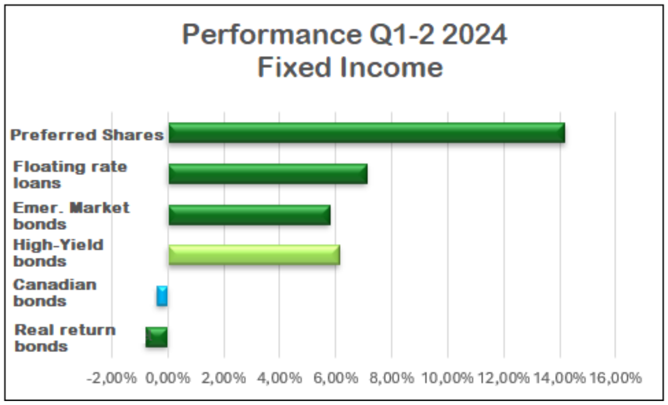
Fixed income markets stayed faithful to the last two years' major trends, with floating rate bonds and high-yield bonds outperforming fixed rate government bonds. Floating rate senior loans helped by a rise in the U.S. dollar ended the half-year up 7.11%, emerging market bonds up 5.77% and high-yield bonds up 6.12%. Canadian bonds ended down 0.38%.

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## The rebalancing of the semester

### The Sigma Balanced and Sigma Income baskets

As per our rebalancing discipline of the Balanced and Income baskets, we took profits in the best-performing asset classes. The S&P 500 was rebalanced three times and the U.S. large-cap growth stocks twice. Gold has also been rebalanced downwards three times. There was profit-taking on two occasions for international equities. Emerging market equities, the TSX and preferred shares, they have been rebalanced once.

### The Sigma Asset Class Rotation and Sigma Asset Class Rotation Moderate baskets

The S&P 500 was in the portfolio for the entire six-month period, while preferred shares were present for five months and international equities for four months. The TSX and senior floating rate loans were present for three months, gold and emerging market bonds for two months and U.S. dividend stocks for one month.

The S&P 500 was the only index to maintain a strong trend for all three months, with the exception of the decline in April. Preferred shares and international equities also performed well, but also experienced more underperformance during their positive advance. For its part, gold had a more difficult start to the year before rising again during the month of March. It was only in April that it earned itself a place in the portfolio again.

| Index | Months Held |
|---|---|
| S&P 500 | 6 |
| Canadian Preferred Shares | 5 |
| International Equities | 4 |
| Senior Rate Floating Loans | 3 |
| TSX | 2 |
| Gold | 2 |
| U.S. Dividend Stocks | 1 |

**Wishing you a great summer vacation!**