

Investor Insights



Q2 2024 - Investor Insights

Market Review

The second quarter of 2024 experienced a slowdown compared to the start of the year. For Canada, the S&P/TSX Index ended the quarter in negative territory, down in the 1% range. While in the U.S. markets, the S&P 500 Index posted positive mid-single digit returns at about 4%. Year-to-date, both markets are positive, but the U.S. has by far outpaced Canada. The outperformance in the U.S. is again led by the Technology sector. Nvidia stock has continued its incredible rally and dominated the AI surge in the technology space and represents one-third of the S&P 500's market cap gains this year. The Canadian markets' sector concentration on cyclical and value-oriented type stocks, continues to underperform the U.S. counterpart. The Financials sector in Canada was down close to 2% for the quarter and is the largest representative of the S&P/TSX Index at about 30%. The Energy sector which had a strong start in the first quarter, reversed its trend and ended the second quarter down slightly, relatively flat. This sector represents the next largest allocation in the Canadian index at just under 20%. Crude Oil West Texas Intermediate (WTI), ended the quarter at \$81.50/barrel down in the low-single digits at 2%. Out of the 11 sectors in Canada, only two posted positive returns and it was led by the Materials sector, in particular the Gold subsector, was up in the high-single digit range of 7%. Gold Bullion continued with positive momentum for the quarter and closed out in the mid-single digit range. Growth again outperformed Value for the quarter, with a positive high single-digit 9% return versus and negative single-digit -3% return.



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Our Portfolios

Our Canadian equity portfolios etched out some slight positive gains during the quarter for the most part, except our Infrastructure portfolio. The Infrastructure portfolio, which is our most concentrated portfolio of equities that are reflective of value-focused type companies, underperformed in this macro-environment backdrop of higher for longer interest rates, was down in the low single-digits of about 1%. The High Income portfolio was up just above the low single-digit mark, around 1% for Q2. While the Dividend Growth, the Defensive Income and the Canadian Dividend portfolios hovered in the half-percent range for the quarter. Our Canadian Fixed Income portfolio showed positive returns again and was up above the 1% range. Although the Growth and Technology oriented stocks did well for the second quarter, our Global Growth portfolio, lags behind and the large decline from the month of April was flattened out in the two months following and posted a nearly flat to slightly down for Q2.

Outlook

We're half way through the year and markets have performed well considering continued concerns of recession on the horizon. Bank of Canada (BOC) made its first rate cut since the tightening cycle began in the early part of 2022 and reached its peak at 5.25% and had held steady for the better part of nearly a year. The most recent rate cut in June, the BOC reduced it by 25 bps. The Central Banks in the U.S. have yet to cut rates and many market participants and forecasters who anticipated rate cuts to happen earlier on in the year with expectations that we could see five to six rate cuts before year-end has changed gears and now anticipate one to two cuts. With all the "economic data-dependent" that J. Powell, chair of Federal Reserve, is awaiting for to make decisions on rate cuts. It's proven to be a waiting game and risks still remain out there. The incredible pace markets have been moving along at, many speculate that this is a melt-up before a blow off top but there are those that believe that a soft landing is or has already happened. The waters are still murky and uncertainty requires us to maintain a cautious stance. But for the time being we seem to be enjoying a summer rally and participating in positive market action. I approach this summer with moderate positivity and would look for a potential trim back of our gains as we near the end of the third quarter/latter half of this year.

First Home Savings Account (FHSA) vs. Home Buyer Plan (HBP)

The federal government introduced the First Home Savings Account (FHSA), last year April, in an effort to assist prospective first-time home buyers, in addition to the already existing Home Buyers Plan (HBP). Both of these programs are designed to help lessen the financial stress for saving up to buy your first home. The intent and purpose of these two are the same but there are some differences. And which one should we choose is a question that some may ask. The answer depends on your savings goals as well as your financial and tax situation.

Here is a summary of the key points and the differences between them.

FHSA - is used to save to buy a first home.

1. Doesn't need to be paid back
2. No withdrawal limit
3. Annual contribution limit is \$8,000 and lifetime contribution limit is \$40,000
4. No minimum period before contributions are deductible, and can be withdrawn
5. The FHSA contribution deadline is December 31 each year

HBP - is a program that lets you withdraw funds from your RRSP to buy a first home.

1. Repayment required
2. Withdrawal limit of \$60,000
3. Maximum annual RRSP contribution, i.e., 18% of your earned income in the previous year or the annual contribution limit for the current year
4. The money must be deposited in your RRSP 90 days before it can be withdrawn and placed in the HBP
5. The RRSP contribution deadline is 60 calendar days after the end of the year

The biggest difference between the two is that the HBP requires you to repay your withdrawn funds, whereas the FHSA doesn't require any repayment. Both are great programs for those looking to buy or build their first home. Should you, your children or grandchildren have any questions on these programs please contact us and we'll be happy to answer any questions.

Sincerely,

Rana Lee, CIM

Wealth Advisor & Portfolio Manager

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