

# Investor Insights



## Q3 2024 - Investor Insights

### Market Review

The third quarter of 2024 marked a phenomenal rally as we headed into the latter half of the year. The Canadian markets outperformed the U.S. markets this quarter unlike the first couple to start the year off. With the S&P/TSX Index nearly up to a double-digit return of 10%, close to doubling our U.S. counterpart, while the S&P 500 Index was up about just shy of 6%. Our commodity heavy Canadian Index, represented in our materials sector, was up in the low-double figures at about 12%, with the gold-subsector showing gains of mid to high double-digits at around 17%. Spot gold, reached new all-time highs breaking through the \$2700 per ounce price mark. Financials, our most dominant sector within the Canadian indexes, was up in the mid-teens close to 16% for the quarter. The weakest sector was Energy, showing relatively flat returns but still slightly positive. As the Crude Oil West Texas Intermediate (WTI) was down significantly, in the mid-teens territory, down close to 16%. WTI had a strong start to the year but have eliminated all its gains from the first quarter and now in negative territory. Value outpaced Growth this quarter for the first time this year. The declining interest rate environment prescribed by the Bank of Canada, propped up our Canadian equity markets, exhibited through the value-type stocks. In the U.S the Technology sector which is the highest weighted area in the S&P 500 was the lowest returning sector for the quarter, posting low-single digit returns just under two percent. Evidenced again with the growth style underperforming.



Rana Lee, CIM

Wealth Advisor & Portfolio Manager

Tel: 604.623.6791  
Cell: 778.986.8210  
rana.lee@nbc.ca  
www.ternionwealth.com

September 30, 2024  
Vol.3, No. 3

## Our Portfolios

In line with Canadian market performance, our Canadian portfolios had their best quarter yet. Our Infrastructure portfolio, our concentrated equity portfolio focused on various areas of infrastructure are most sensitive to interest rate environments had a great quarter. Posting mid-teen performance numbers. This particular portfolio had been lagging performance returns compared to the others but picked up significantly within this last quarter. Our most recently developed consolidated equity portfolio of our three main portfolios, the Canadian Dividend portfolio also had a great quarter, up low-to-mid double digits at about 13%. The High Income portfolio and Defensive Income portfolio had similar returns in the double-digit range of about 10%. While the Dividend Growth portfolio, which is more heavily weighted with energy stocks, saw the smallest gains comparably, up in the mid-single digits. Our Canadian Fixed Income portfolio, saw good positive momentum and also was up in the mid-single digit range. Our US/International portfolio, Global Growth, posted a positive quarter in the mid-single digits at about four percent, as Technology and growth areas continued to take a back seat relative to other areas.

## Outlook

As we enter the final quarter of 2024 our indicators show that there will likely be a continued extension of this current long-term cycle. Although October is a seasonally tough period, the intermediate cycle is not yet showing signs of a cycle break and momentum change. This current long-term bull cycle is two years in, which commenced in October 2022 and generally is about a four-year cycle. But with the very long-term secular cycle that started in 2009, extremely mature and extended beyond the average 9 to 10 years cycle, adds uncertainty to the strength and length of the current long-term bull cycle we are in. A shortening of this cycle to less than four years is a very strong possibility. The 10-year Treasury yields may have put in a low in mid-September at 3.6%, coming off the long-term cycle high set in October last year at 5%. Yields have been on the rise since its mid-September low and as yields and equity markets maintain an inverse relationship, this could be a break in the long-term bull equity cycle. Although still we may be a bit pre-mature in becoming too defensive and awaiting for a cycle shift, there are some indications of potential risk. We have had a tremendous rally this year and it would be prudent and disciplined to harvest those gains and to prepare for a break in this cycle. Timing is a difficult task to manage but general trends and momentum will help guide an opportunistic moment.

## Economic Impact - Stefane Marion, National Bank Chief Economist

Stefane Marion, National Bank Chief Economist, regularly provides updates on his macro views and we've summarized some of his thoughts on his most recent report. Stefane Marion has been the Chief Economist and Strategist for the National Bank of Canada and National Bank Financial since November 2008. Mr. Marion is a sought-after speaker on economic trends and their impact on financial markets, and Brendan Wood International has named him one of Canada's top economists.

Summary:

- Markets hitting all-time highs in many regions, by both expectations of rate cuts with a synchronized monetary easing cycle and expectations for sizable fiscal stimulus from countries such as China will help support global growth and earnings. But these expectations are already embedded in current valuations.
- Current market valuations are exceptionally high at the beginning of a monetary easing cycle, it is unusual and only one other precedent for such a situation when looking back at historical rate cut cycles. Leads to navigating unusual waters.
- Stock market has not really corrected and historically the Fed starts cutting rates once the stock market starts correcting, which hasn't been the case this time around.
- Historically, markets get a little nervous when the Fed starts cutting rates due to uncertainty and concerns over the economy. This time around, the market has already concluded that it is a soft landing or even a perfect soft landing with no volatility.
- Stock market is well below historical volatility averages and corporate spreads are the least stressed ever seen at the beginning of easing cycles, another strong conviction in the markets that soft landing mission is accomplished and it's all up from here.
- Most recent jobs report in the U.S. was stronger than expected but it's broken from its 6-mos down trend. There would need to be continued good employment reports before changing mind on potential stress on labour markets and profit expectations.
- View on U.S. economy still uncertain at this point, generally speaking, election years are good for equity markets, but with this upcoming election there is much uncertainty with the candidates that could impact the small business level, that should transpire theoretically with less aggressive hiring which will impact labour markets.
- In Canada, we have underwhelming growth and inflation has come down significantly, this will require more aggressive rate cuts by Bank of Canada to stimulate the economy, current policy rates are overly restrictive and can anticipate bigger rate cuts.

The interpretation markets and have taken into consideration of a soft landing is obvious in the market's buoyancy as it continues to reach new highs. Is the market correct and is it all uphill from here? We're not fully convinced that is the case and rather err on the side of cautiousness. What is apparent is that historical norms have been tested and we are maneuvering through unfamiliar territory. This is another function of risk and supports our stance in approaching the last part of this year carefully.

Click on the [link](#) for Stefane Marion's full Economic Impact video.

Sincerely,

Rana Lee, CIM

Wealth Advisor & Portfolio Manager

National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). The information contained herein has been prepared by Rana Lee, a wealth advisor at NBF. The opinions expressed do not necessarily reflect those of NBF. I have prepared this report to the best of my judgment and professional experience to give you my thoughts on various financial aspects and considerations. The opinions expressed represent solely my informed opinions and may not reflect the views of NBF. The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF.