NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

The Zentner Wealth Advisory Group

How Rate Cuts Can Soar Our Economy

There has been a lot to analyze in terms of economic data, inflationary worries, and stock market developments throughout 2024. Over the past 6 months the markets have maintained their forward momentum from 2023 and we remain optimistic this year will finish in positive territory.

Despite the uncertainties surrounding inflation in both Canada and the US, there has been a consistent indication of market enthusiasm as we dig deeper into stocks and bonds during the first half of the year. Once inflation becomes perceived as less of a problem, markets are likely to turn their attention to other factors such as growth opportunities, technological advancements and consumer spending patterns. With such factors in mind, we will examine the indices benchmarks year-to-date and discuss our viewpoint moving into the latter half of the year.

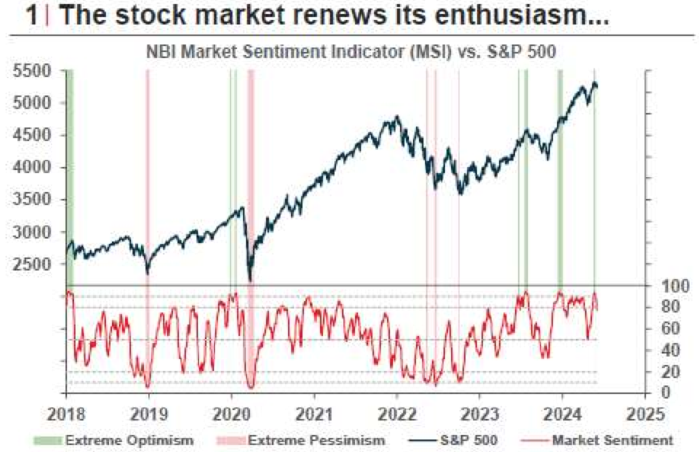
Indexes - As of June 28, 2024		
Index Name	**YTD**	**T-12**
S&P 500	15.29%	24.56%
NASDAQ	18.13%	28.61%
TSX	6.05%	12.13%
Dow Jones	4.79%	16.02%
Scotiabank Global Bond Index	-3.51%	-1.48%

Thomson One (data via Refinitiv)

Holistically, bonds have found themselves in negative territory throughout this year. The Canadian fixed income universe had a positive month in June which showcases elevated optimism with the beginning of rate cuts. We continue to believe that when rates decrease south of the border, US bonds will perform and follow pace.

The past few months have seen weaker-than-expected economic indicators, yet equities markets have ultimately increased. Strong corporate earnings in the technology, communication services and healthcare industries have propelled the S&P and NASDAQ to highs. In Canada the TSX posted moderate gains with stronger performance being carried by the energy, financial and technology sectors.

1 | The stock market renews its enthusiasm...



CIO Office (data via Refinitiv, Bloomberg).

Stock market attention is often focused on one problem at a time and, at the moment, inflation continues to be the main cause for concern. The recent reports highlighting the slightly weaker growth is ideal in the eyes of investors since it suggests lower pressure on prices. These data points can be crucial to investors as they drive investment, foster economic growth and overall reflect investor confidence. With market enthusiasm on the rise, we anticipate a strong finish to the year.

One tactical opportunity that has been a topic of discussion is the considerable increase in dividend rates. Stronger corporate earnings throughout the past 12 months have enabled companies, especially in the technology, financial and energy sectors, to increase their dividend payouts. Due to economic uncertainties, investors may favor higher dividend stocks as a hedge against inflation as they seek reliable income streams. Companies have focused on returning value to their shareholders, ultimately showcasing confidence in both their financial stability and growth prospects. The unique opportunity that presents itself is the capability to secure reliable income from these companies while potentially benefiting from future price recoveries as the shares rebound from their highs.

As always, the most efficient way to mitigate the impact of short-term market volatility is to stay invested. Over the past 18 months, patience has been a major contributor to investment performance. Given our outlook that we see possible rate reductions in the second half of 2024, it remains prudent to stay invested and take advantage of the exciting market opportunity.

We will continue to monitor both your accounts and the state of the financial markets closely as we have positioned portfolios to benefit from BOC rate cuts. We are always happy to have a conversation should you have questions or concerns. We thank you for your continued trust and confidence.

Sincerely,

The Zentner Wealth Advisory Group
Tel.: 204-283-9089 | Toll Free: 1-800-461-6314 | Fax: 204-942-6194 | zag@nbc.ca
National Bank Financial (Transit: W21)   1000-400 St Mary Ave, Winnipeg, Manitoba, R3C 4K5

2020 Awards of Excellence
Investment Advisor of the Year
Prairies & Atlantic

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 Investment Industry Regulatory Organization of Canada (IIROC) 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 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. The information contained herein has been prepared by *Lev Zentner*, a Wealth Advisor at NBF. The opinions expressed do not necessarily reflect those of NBF.