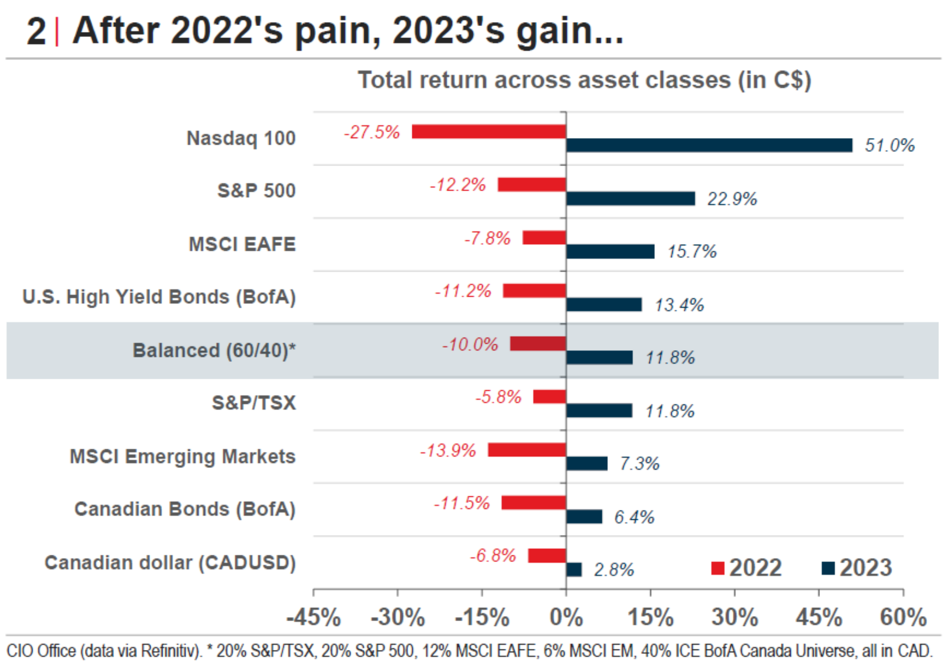
From Bear to Bull: A Holistic Outlook of Financial Landscapes

The year 2023 proved to be a dynamic and transformative period for financial markets, marked by a confluence of economic shifts, technological advancements, and geopolitical developments. As we examine the stock market's performance over the past year, it becomes evident that investors confronted a landscape shaped by not only challenges but with a great amount of opportunity.

It was a promising year as the stock markets, bonds and even cash posted appreciable gains over the course of 2023. The Nasdaq index lead the way with the media spread, Magnificent 7 (*AMZN, AAPL, GOOGL, META, MSFT, NVDA & TSLA*), driving outstanding returns as their market performance reflected a combination of strategic resilience, industry dominance and adaptability to economic dynamics:



The narrative heading into this year is to keep on an eye on both what the Bank of Canada (BOC) and the Federal Reserve (Fed) south of the border will do in terms of interest rates. Our forecast indicates that inflation is declining, which is mostly due to central banks enacting effective monetary policies and supply chain disruptions easing, fostering a more stable economic environment. This opens the door for the potential of rate cuts throughout 2024 with the first set of meetings happening towards the end of January 2024. These meetings will be closely followed as a narrative will be set on how they perceive the current state of the economy and what the upcoming months may hold in terms of economic expansion and market consumer confidence.

Lower inflation, a robust job market and steady earnings growth will all contribute to economic prosperity this year. As always, patience remains an investor’s best ally and with the anticipation of rate cuts occurring throughout 2024, this will prove to be crucial to remain invested in the market and capitalize on the subsequent market upswing.

Several repercussions arise as a result of central banks decreasing interest rates. From an equities standpoint, lower rates can often lead to increased borrowing and spending, which boosts corporate profits with more currency flowing back into the stock market. Although 2023 proved to be a promising year from a return standpoint, there's still a greater degree of economic uncertainty and overall market sentiment has influenced investor behavior. As a result, we're seeing some attractive opportunities in higher dividend yields right now, which we will actively monitor in the event of a shift should interest rates begin to fall around the mid-way point of 2024. Bonds and fixed income markets should see appreciation as a result of lower interest rates as well. Due to the inverse relationship between bond prices and yields, as interest rates fall, yields on current bonds become more appealing, implying that investors are ready to pay a bigger premium for higher yield bonds, causing their prices to climb.

We'd like to highlight some notable changes coming in 2024. Firstly, National Bank Financial launched the First Home Savings Account (FHSA) in the fall of 2023, with individuals who opened this account having the opportunity to contribute an additional $8,000 for the 2024 calendar year. This account allows first-time homebuyers the opportunity to save up to $40,000 and invest these funds on a tax-free basis with unused contributions having the option to be carried forward. A few other changes to highlight:

- 2024 RRSP Max. Contribution: $31,560
- 2024 TFSA Contribution Limit: The new annual limit is $7,000 which equals a total of $95,000 in contributions for someone who's never done so before
- For 2024, the maximum pensionable earnings amount is $68,500 (up from $66,600 in 2023) and the basic exemption amount remains $3,500
    - New for 2024 is earnings between $68,500 - $73,200 will be subject to a second tranche of CPP contributions

We will continue to monitor both your portfolio and the state of the financial markets closely. We are always happy to have a conversation should you have questions or concerns. We thank you for your continued trust and confidence.

Sincerely,

Lev Zentner

Senior Wealth Advisor/Portfolio Manager

P: 204.283.9080