

The Year Ahead: Charting New Paths to Growth and Stability

As we head into a new year, the financial landscape presents a mix of opportunities and challenges for investors. 2024 capped off in positive territory being heavily driven by a year filled with growth across economic landscapes, easing of monetary policies (rate cuts) and a second consecutive year of above-average gains across the equity markets. As we look ahead to 2025, our focus remains on identifying key market trends, managing risks, and uncovering opportunities to ensure clients are well positioned to achieve their financial goals in an evolving economic and political environment.

Historically, markets tend to react well to the decision of lowering interest rates, and this was a main theme across 2024. In Canada, a total of 5 rate cuts occurred since June 2024 for a total of 175 basis-points (bps). In the US, a total of 3 rate cuts occurred for a total of 100 bps. We'll next examine how these monetary policy shifts influenced key index performance, shedding light on the broader market trends throughout 2024.

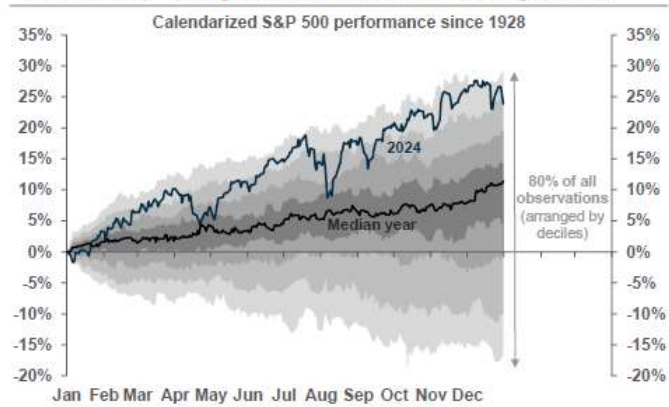
Indexes - As of December 31 st , 2024		
Index Name	YTD	T-6
S&P 500	25.02%	8.14%
NASDAQ	28.64%	8.01%
TSX	21.65%	14.71%
Dow Jones	14.99%	9.59%
Scotiabank Global Bond Index	-3.19%	-0.47%

Thomson One (data via Refinitiv)

The fixed income market ended 2024 with slight underperformance, primarily driven by rising yields in the latter half of the year and persistent inflationary pressures, which weighed on bond valuations. Looking ahead to the next 12 months, interest rate decisions and monetary policy will continue to be key factors in shaping bond market dynamics.

At the start of 2024, a climate of cautious optimism had settled over the markets and ultimately this optimism prevailed as we look across the equity markets for the past 12 months. Three sectors closely tied to the tech giants—Communication Services, Consumer Discretionary, and Information Technology—significantly outperformed, delivering returns well above the market average in the US. The Canadian equity market saw strong performance from resource sectors like Energy and Materials, driven by rising commodity prices and

9 | The S&P 500 just had one of its best years...



CIO Office (data via Bloomberg).

strong global demand. Conversely, some sectors sensitive to interest rates, such as Financials and Real Estate, faced headwinds, limiting broader market gains.

As a result, market sentiment remains positive, with investors capitalizing on sustained economic growth and corporate profitability. To put things in perspective, economists generally estimate potential growth at around 2% in the US and since Q3 2022, no less than nine out of 10 quarters have exceeded this threshold. The consistent outperformance has provided a solid foundation for continued market growth, with investors maintaining confidence in the equity and economic outlook for the coming year.

Lastly, a review of 2024 would not be complete without a look back at the race for the American presidency and what this might mean moving forward. Depending on the administration, key policy shifts can be expected to impact tax laws, fiscal spending and trade relationships, influencing investor sentiment and market stability. Historically, markets have tended to respond positively to Trump's policies particularly those focused on tax cuts and stimulating economic growth. Given these potential shifts, we will continue to evaluate the landscape closely and remain agile in adjusting strategies to ensure client portfolios stay well-positioned.

The best approach to weathering short-term market volatility is to stay invested and keep the focus on your long-term goals. The past 24 months have proven that patience can yield positive returns. Our team will remain diligent in monitoring both your accounts and the broader market conditions.

We're always here to have a conversation if you have any questions, concerns, or important life changes that may call for an update to your financial plan. If you're ready to start a plan, or discuss the importance of having one, feel free to reach out to us via call or email. We'd be happy to assist you. Thank you for your continued trust and confidence.

Sincerely,

The Zentner Wealth Advisory Group

Tel.: 204-283-9089 | Toll Free: 1-800-461-6314 | zag@nbc.ca
National Bank Financial (Transit: W21) 1000-400 St Mary Ave, Winnipeg, MB, R3C 4K5

--

Lev Zentner
Senior Wealth Advisor/
Portfolio Manager
Tel.: 204-283-9080
Fax: 204-942-6194
Lev.Zentner@nbc.ca

Boedey Vaeth
Wealth Associate
Tel.: 204-283-9089
Fax: 204-942-6194
boedey.vaeth@nbc.ca

Chantelle Nault, CFP®
Senior Wealth Associate
Tel.: 204-283-9084
Fax: 204-942-6194
chantelle.nault@nbc.ca

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 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 opinions expressed do not necessarily reflect those of NBF.