

WIMAN & WONG

Wealth Management Group

Monthly Newsletter



January 2024 Comment

Here We Are In 2024

It's funny how each year brings a renewed confidence and expectation that things have changed and or will change. We reset our expectation clocks, make bold predictions and resolutions and head out on our new years journey. In reality the journey is just an extension of 2023. For example, I started a 63 day workout challenge in late November 2023 as I enter 2024 nothing has changed with that 63 day event it is just going to roll right through. What will happen, is that the local gym will get super busy for somewhere between 15 and 30 days and by the time we hit March the activity level will have mean reverted. It's a beautiful thing to watch really because it happens every year, almost like clockwork.

BUT this year will be different right! While there are a few elements in our world that will start and continue to present challenges and opportunities. Consider that 2024 is a US election year and as interesting (crazy) as it sounds Trump is leading in (some of) the polls. Sorry digressions. We likely, as at the time of writing, will still have geopolitical conflict in two very escalated parts of the world. At current there is no clear path of resolution and could likely become worse in a variety of different ways. One could challenge the construct and suggest we have had issues forever and likely will as we go forward. Clearly arguable and also relevant is today's world. Things seem to have clearly changed in several regards. A quote the other day suggested that the only constant in life is change. Perhaps we should expect more of this in 2024.

Inflation the poster child of the FED in 2023 and as we head into 2024 will or could become ancient history, what was once 9% is now 3% and likely heading towards the target rates of 2%. Will the news be all that relevant in the move from 3 to 2? In reality probably not so much.

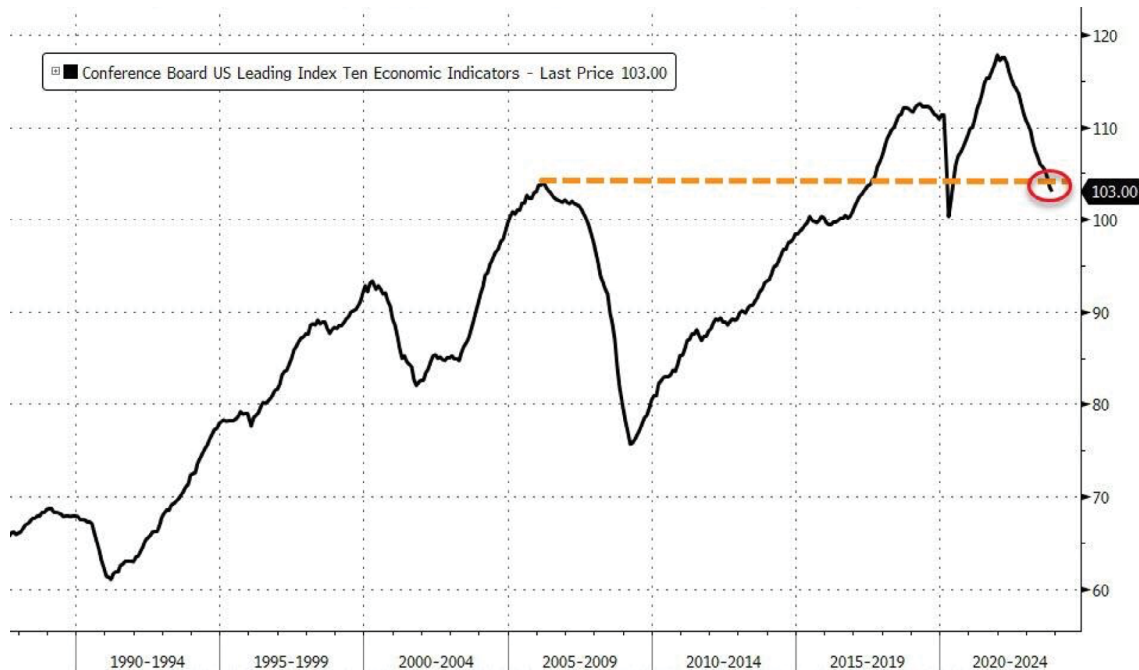
Interest rates on the other hand have (fed funds rate) basically went from zero in March of 2022 to 5% today. This is where we could see some fireworks in 2024. The market is where things could get interesting. The bond market has priced in 100 basis points of cuts in rates. The chart that follows shows both the FED Funds rates and the 10 year US Treasury Bond yields. At the time of writing the US 10 Year Treasury is trading below 4%. It will be very difficult to say where yields go from here, BUT..... any movement in the FED Funds rate will likely land here at home with a Bank of Canada rate move.



Source: Work Space, Wiman Wong Wealth

BUT it's the Economy!

We know things have started to slow down even those that have are starting to pull back a bit or at least say ok enough is enough (been out for a steak dinner lately?!). Perhaps one of the more comprehensive indicators of economic explanation is the US Conference Board Index of 10 Economic Indicators.



Source: Zerohedge

The index has been trending lower for 17 months and is the second biggest drop since the Lehman Brothers collapse in 2008. One could surmise that these are not necessarily the best of times. If we drill down further into this data set it does signal a recession in 2024 as does a still inverted yield curve. This combination of factors has the market in a bifurcated state of expectations BULLISH narratives and BEARISH opinions and facts. Who's right? Perhaps both are. 2023 was a year when a very narrow part of the market did exceptionally well, and the broader part of the market was largely ignored. Can the Magnificent 7 still outperform? OR does the value smaller capitalization part of the market have more bullish tendencies? Great arguments exist on both sides of that opinion.

2024

As we start our posture remains balanced. The fourth quarter of 2023 was a welcome relief for markets. In some cases, it proved our posturing around dividend names, in other cases it put some stocks on pause. To start the year, we are looking at all factors possible to drive prices either higher or lower and as we started out not much will have changed with the flipping of the calendar.

Happy New Year to all that have read this far and we wish you the very best as we start the new year!



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Contact information

John Wiman

Wealth Advisor & Portfolio Manager
416-869-7125 | john.wiman@nbc.ca

Jason Wong, CIM®

Wealth Advisor & Portfolio Manager
416-869-7142 | jason.wong@nbc.ca

130 King Street West, Suite 3100, Toronto, ON M5X 1J9

