

## 2024 Second Quarter Portfolio Report

### Portfolio Management Update

Two developments sparked financial planning discussions in the second quarter of 2024. One was made by the federal government and the other by the Bank of Canada.

Following through on their word, the Canadian federal government tabled a motion to increase the capital gains inclusion rate from 50% to 66.67% for annual gains above \$250,000 (and all gains for corporations). Advisors, accountants, and lawyers around the country dedicated hours working with clients to decide whether it was advantageous to take action. In our conversations, we noticed that:

1. Never before have Canadians been so eager to pay tax. That is unusual to say the least, but...
2. ...for those already planning to trigger significant gains in the next five years or so, it's better to do it now and pay less tax rather than wait and pay more tax.

As a result, millions, and perhaps billions, of dollars of extra capital gains were triggered across Canada in the first half of 2024. This is going to bring a substantial windfall to the Canadian government for the 2024 tax year. Of course, these taxes would have been paid eventually, so they have really just been claimed early, leaving less for future generations of governments.

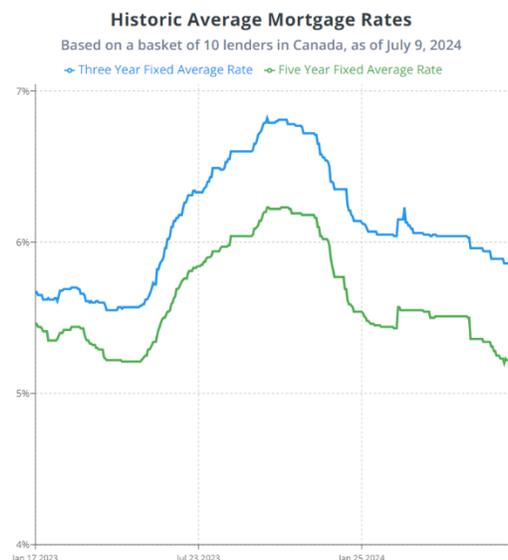
The second development came from the Bank of Canada, who decreased their policy interest rate from 5.00% to 4.75% at the end of June. This has already started to filter down to financial markets. Interest rates paid on GICs and high-interest savings accounts have dropped following the announcement. While GIC rates were approaching 5.50% in 2023, the best one-year GIC rate from a national rental lender is 4.98% at the time of writing.

Falling rates have affected borrowing, too. Mortgage rates started to tick down last fall and have continued their downward trajectory. The average standard rate for a 5-year fixed mortgage from a major lender is 5.2%, though a few of our clients have been quoted rates below 5% in the last few weeks.

Looking ahead, we expect the Bank of Canada to decrease the benchmark rate again before the end of the year. That said, our crystal ball won't say when or how far rates will drop.

### Interesting Financial Market Trends

To wrap up our portfolio management update, let's take a quick look at some of the stories from the first half of 2024.



<https://wowa.ca/mortgage-rates>

- Canadian bond prices were down 4% to 5% in the first quarter, but rebounded in the second quarter as the policy interest rate was lowered. Bonds increase in value when interest rates drop. If the rate cuts continue, bond prices should continue upward.
- Canadian equities trailed the US market in the first half of the year as the stocks of US tech giants continued to outperform most other investments. Compared to the stock market in the US, Canada's is made up of fewer technology companies and more energy, natural resource, and financial companies. If demand for Canadian resources increases and the hype over artificial intelligence wanes, we may see the Canadian market outperforming the US.
- Gold and silver continue to perform well. They are up 20% and 30% year-to-date, respectively. Uranium has seen some volatility so far in 2024 and is currently -1% year-to-date after returning 78% in 2023. The stand-out commodity so far in 2024 has been cocoa, which has quadrupled in price since the beginning of the year as a result of poor farming conditions – in terms of both weather and labour protections – in the West African “Cocoa Belt”. The handful of countries in this region supply more than three quarters of the world’s cocoa.
- Bitcoin's price movement so far in 2024 is highlighting uncertainty in the future of cryptocurrency. The price started 2024 near USD 30,000 and has reached an all-time high above USD 70,000. This is actually the third time the price has made this jump. The last two times it neared USD 70,000 were in 2021 and both were followed by a drop of more than 50%. In the second quarter of 2024 alone, Bitcoin lost 25% of its value two separate times. In Canadian Dollars, 25% is around \$480 billion, which is in the ballpark of the GDP of the Province of BC. In our opinion, the best use case for cryptocurrency is still for people who wish to avoid the regulations of the standard banking system. For these reasons, cryptocurrency doesn't have the qualities we require of an investable asset class.
- In 2021, house-locked people around the world took up investing as a hobby with varying degrees of success. The “meme stock” craze centred around a handful of stocks that gained popularity on social media forums. This translated into millions of actual dollars being invested in actual shares of these companies. The most notable stock was the video game retailer GameStop, which doubled, then doubled again, then doubled four more times to achieve a total gain of almost 12,000% before crashing back down to earth. A few people made money, most did not. We bring it up now because the craze made a brief comeback when GameStop's stock jumped 550% in the first two weeks of May 2024. Hobby investors may have rekindled interest in these stocks, but real investors are still staying clear of them.

### **Other News**

We are finalizing our webinar lineup for the fall of 2024. To give you a sneak peak:

- In September, we will be joined by guests from the Capacity Clinic. They offer programs promoting awareness of legal considerations surrounding ***diminishing capacity***. They also perform assessments of an individual's ability to make important decisions, particularly when there is a concern about mental or cognitive impairment. This session will be valuable for anybody that has a Power of Attorney or who acts as Power of Attorney for someone else.

- Backed by popular demand, in October, we will revisit the topic of **aging in place** with guests from Enabling Access and their construction partner, Accessible Renovations. Aging in place focuses on remodeling your home to allow you to live there independently and comfortably as you age.

Stay tuned for an invitation to register for these events.

Sincerely,

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