



# FINANCIAL ECHO – JANUARY 2024

## 2023: A Year of Unexpected Events in the Financial Markets

The year 2023 saw unexpected developments and exceptional performances in global financial markets. Investors were pleasantly surprised by the strength of returns, thus contradicting the majority of pessimistic forecasts (85%!) which envisaged an imminent recession. If you had listened to this overwhelming majority, perhaps you would have sold all your stocks and bonds, instead favoring cash or guaranteed investment certificates (GICs). Although fixed income will be able to pull its punches in the coming years, both the S&P 500 and the TSX experienced enviable performances during the year.

However, behind these positive figures lies a less exciting reality, namely the shallow “depth” of the markets. Indeed, only a limited number of stocks, mainly in the information technology sector, played a preponderant role in these performances. You may have heard of the “Magnificent 7”, these few stocks that catapulted the S&P 500 in 2023, while the average of the other 493 posted a more modest return.

The resilience of quality businesses was highlighted, with a particular focus on large businesses run by experienced management. Despite initial concerns about high inflation, markets now appear to be betting on it being contained, reflecting investors' enthusiasm for a rate cut in 2024. The informed investor, having maintained his focus on assets well selected and diversified, will therefore have been rewarded.

## 2024: Prospects and anticipated challenges

As we enter 2024, expectations and forecasts for financial markets are marked by considered caution. Investors are faced with a number of plausible scenarios for the year ahead, keeping in mind the spectacular end of 2023 in the markets.

First, rate hikes are not necessarily a thing of the past. The possibility that central bank intervention could hamper growth remains, with the risk that the economy could fall into recession. This scenario raises questions about the sustainability of the current economic recovery.

Second, a more optimistic outlook envisions a well-timed transition of monetary policies, characterized by skillfully coordinated rate cuts, thereby promoting a soft landing and avoiding a recession. This scenario relies on skillful management of monetary policies, in order to balance economic growth and stability.

Finally, the third possibility is that of an economy that remains robust, characterized by persistent inflation and interest rates maintained at high levels over a prolonged period. This situation would present challenges for businesses and consumers, while providing potential opportunities for certain market sectors.

Faced with these uncertainties, the key for investors in 2024 lies in an approach based on strategic diversification and prudence. Well-balanced and defensive portfolios are recommended to best navigate through these potential scenarios, in a context where financial markets continually evolve and react to economic and geopolitical developments.

## Conclusion: The importance of staying agile and adapting

The solid performance of the different asset classes and the securities selected for their resilience confirmed our conviction in this approach. You will also find attached the returns of your portfolios for recent years.

You will see that despite the major economic and geopolitical events that have put us all to the test over the last five years (think, among other things, of Brexit, trade tensions between China and the United States, the Covid-19 pandemic and the conflicts in Ukraine and the Middle East), the returns will still have lived up to expectations, and often even a little more.

That said, in the context of persistent uncertainty, maintaining agility and constant responsiveness remains essential. Thus, our strategies will evolve with caution and informed optimism, seeking to capitalize on emerging opportunities while ensuring the stability of your portfolios. With this in mind, our investment choices will be oriented towards quality companies led by robust management teams.

As your advisors, we are committed to transparently informing you about developments that may influence your investments. With your trust and our mutual commitment, we will continue to work towards achieving your financial goals.



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