WIMAN & WONG
Wealth Management Group

Monthly Newsletter

Be Careful What You Wish For! – October Commentary

Coming into September the chatter around how bad September is on a historical level was loud and clear. The messaging was to put some cash away because historically September is always a bad month. Well, be careful what you wish for because as we write this we are sneaking up on the end of the month and markets are positive. Now that could change as we grind into the finish but suffice it to say the 50 basis point cut out of the FED (September) and continued chatter of another 50 basis point cut coming has interest rate sensitive names giddy with the prospects of lower cost debt. Simple right! ☺

We can go one step further to our favorite managed economy China! China got on the bandwagon, and they too are reducing rates and providing stimulus. It's not the bazooka stimulus that would get us super excited, but it is enough to get the market paying attention again. Remember Canada is a back door investment in China think demand for rocks and energy when China turns on the economic stimulus button.

The chart below overlays the China ETF against the price of copper. We think there is a bit of correlation between the two.

Source LSEG, Wiman Wong

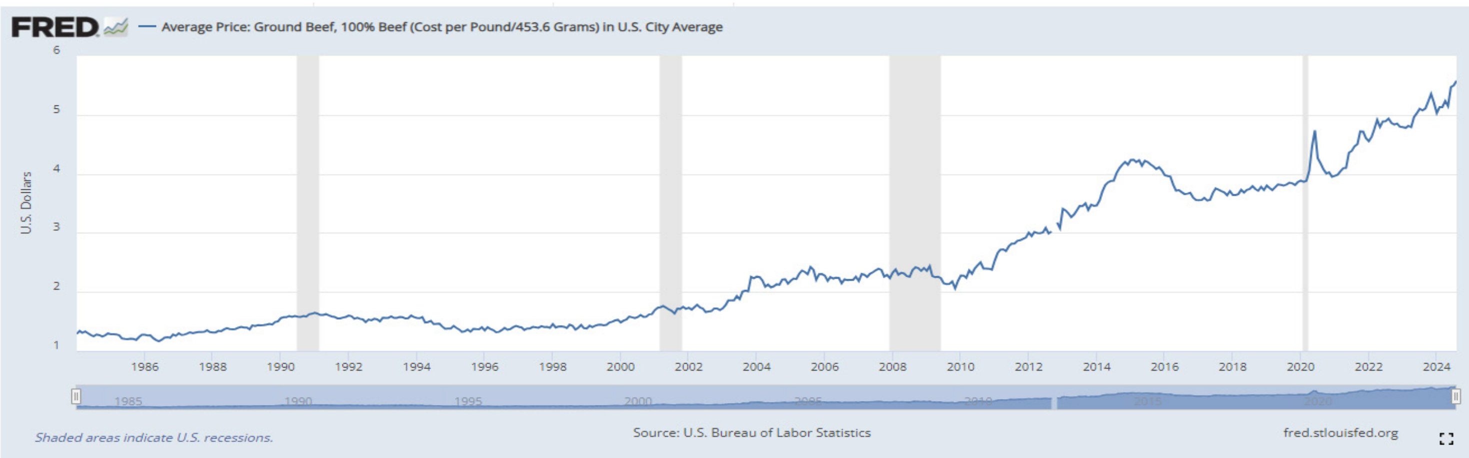
Notably things happen fast. Today September 24th we are seeing 6-10% moves in a variety of China related names.

As we head into the last quarter of the year it is clear that many indexes are doing well, and we have a couple of data points that seem to be a lock at this point and some that are yet to be decided. First up is interest rates and stimulus. Ultimately, we are hearing lots of chatter around further rate cuts out of both The Bank of Canada and the US FED. It is now clearer that we will likely get globally coordinated cuts out of other central banks. Remember this is a powerful catalyst for markets or has historically been powerful. Rember though anything can happen and usually does.

Politically we are pressing forward toward the US election. The polls remain somewhat undecided with a few of the swing states hanging in the balance but ultimately it will be the will of the people that we have to wait for. I am thinking Blue wins the day at least that is what the polls are saying right now.

4th Quarter

As the historical market pundits surmise the last quarter of any year is generally a decent one. BUT there are worries. Take for example the price of 100% ground Beef! They say inflation is under control and down to 2% but apparently nobody told the cows this (Did they go on strike too?). The chart tells the story:



Source St Louis Fed

If we drill down a bit deeper and look at the actual numbers, we see the following data:

Date	Beef Price
2023-01-01	4.791
2023-02-01	4.778
2023-03-01	4.813
2023-04-01	4.790
2023-05-01	4.960
2023-06-01	5.028
2023-07-01	5.102
2023-08-01	5.076
2023-09-01	5.109
2023-10-01	5.226
2023-11-01	5.353
2023-12-01	5.210
2024-01-01	5.030
2024-02-01	5.132
2024-03-01	5.132
2024-04-01	5.236
2024-05-01	5.148
2024-06-01	5.472
2024-07-01	5.497
2024-08-01	5.577

Source St Louis Fed, Wiman Wong

The simple math is a 16% increase in price over the measured period. So much for the Happy Meal! We still have some inflationary pressures around that could become issues.

Final Thought

The election in the US will start to dominate to a degree market sensitivity. The recession, soft landing or whatever we get is still to be seen. The FED and other central banks will likely have to lower rates faster because the 5% rate environment caused some damage and it is starting to show up economically speaking. We still prefer interest rate sensitive to growth at this juncture as we see the shift from the hyper scalers to the value trade currently (that could change - likely) and as mentioned China is or appears to be getting back in the game of stimulus. That should have some impact. It's still not a perfect world and will likely remain that way for an extended period.

Enjoy the Halloween season and thanks for reading.

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Jason Wong, CIM®
Wealth Advisor & Portfolio Manager
416-869-7142 | jason.wong@nbc.ca

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

NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

WIMAN WONG WEALTH MANAGEMENT GROUP

CIPF Canadian Investor Protection Fund MEMBER