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Wealth Management Group

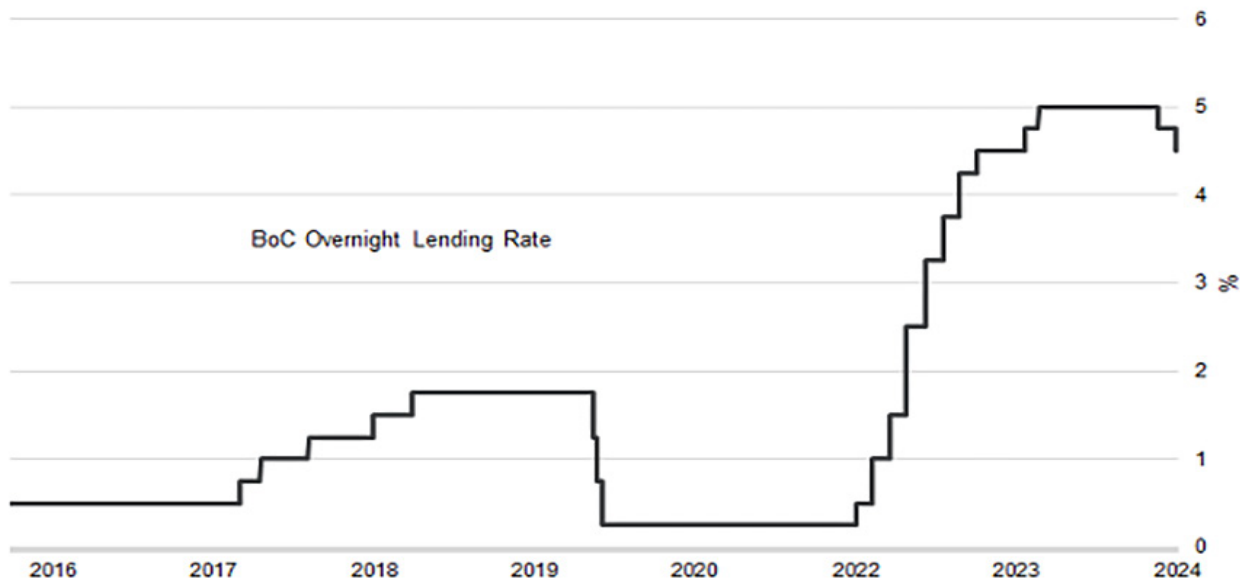
Monthly Newsletter

August 2024 Comment

All of a Sudden Things Changed

As we dig into the summer doldrums, a bit of clarity seems to be coming to the surface. The reality of central bank moves is regional, and the outcomes tend to diverge. The simplest example we can see is here at home in OH CANADA. Our central bank just made their second rate cut. If you are keeping your ear to the ground, you know that the real estate environment has slowed along with the economy. A smart person suggested that even wealthy people will tap the brakes when food at restaurants gets too pricey. So, the slowdown goes beyond just housing. This has given the Bank of Canada the confidence to lower rates and by the sound of things will continue to do so going forward. Here is a picture of where we are at on that note:

Macklem Cuts Again



Source: Purpose

The rational person in me is likely asking the same question you are "What is the terminal rate we should expect?" To get the answer I conducted a little experiment to ask Artificial Intelligence what the future rate of the Bank of Canada would be according to the World Wide Web, our own internal policy advisors combined with external policy advisors.

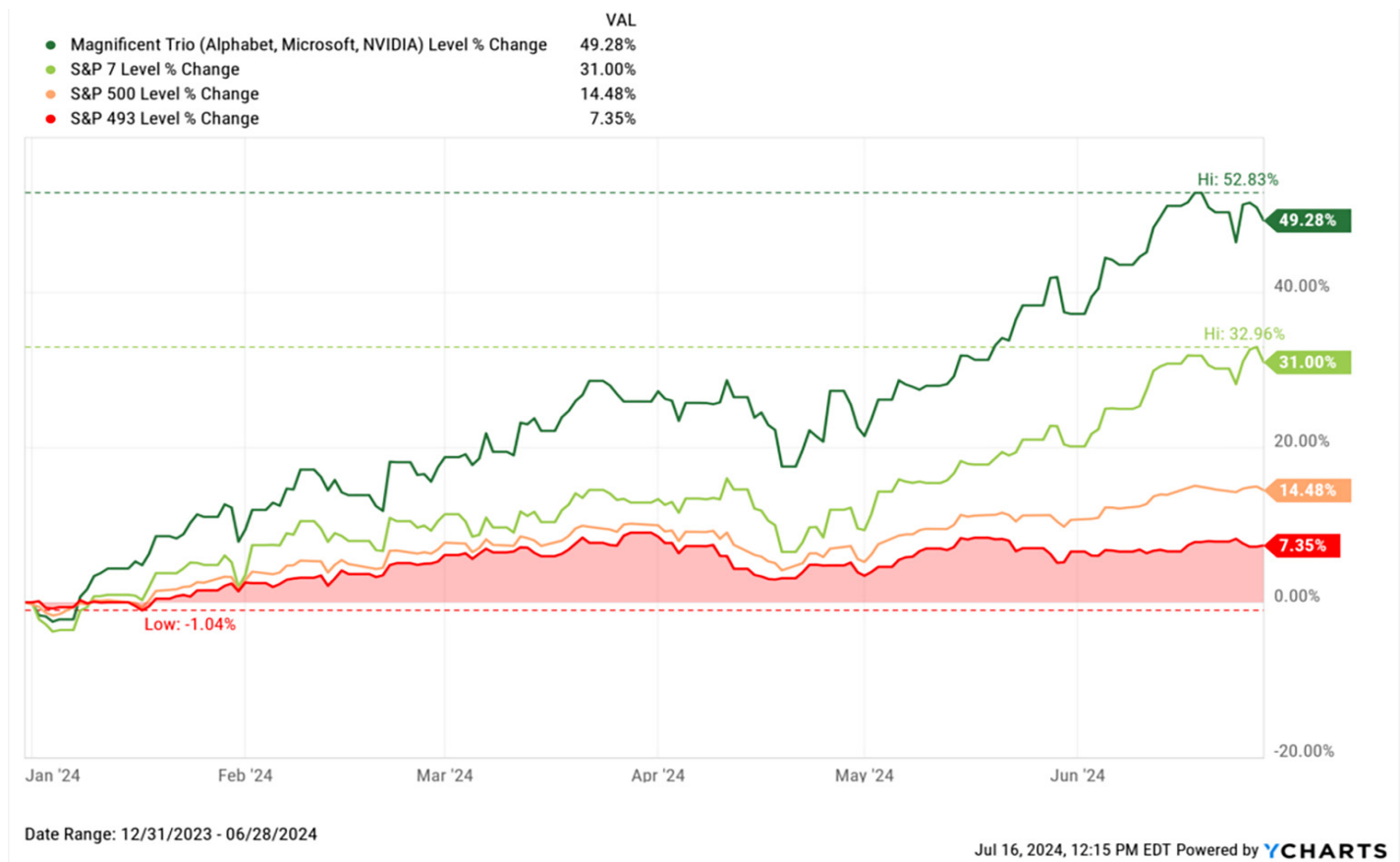
The outcome was a band of expectations. The best I could gather from a variety of sources is a future rate of between 1.25% and 2.75% sometime in 2026. A lot can happen between now and that point but we know central banks are made up of human decision making and can be wrong. SO, take the forecast and the current state of the union with a grain of salt 😊! How's that for commitment 😊! Either way it appears rational at this juncture given the state of the economy, that rates should be lower still...

Magnificent Others?

Over the past year the market has been grossly dominated by a concentration of a few names.

We won't go over those names but think Apple, Microsoft, Google et al. If you peel back the market onion and separate a few parts of the S&P 500 you get a chart as per below. If you have just held the big 3 or Magnificent 7, you're up 49% and or 31% YTD. Now look at the S&P 500 without the big names and the numbers come down to 14% and 7% respectively. What this says is that disciplined dividend investors have not participated in this period. You needed to concentrate on Alphabet (Google), Microsoft and Nvidia.

S&P 500 vs. S&P 493 vs. Mag Seven vs. Mag Trio



Source: Y Charts

Now when the winds of change hit, they hit the biggest and the best rather quickly. Here is a short-term chart of Nvidia as an example of the moves we are seeing (18% decline in 12 days, with a wicked bounce at the bottom?):



Source: Eikon, Wiman Wong Wealth

The question being bantered around is whether this just another speedbump in an ongoing bull (never ending bull) market? At the time of this writing, we just got an update on US growth and the number surprised us with the upside. It seems the consumer is still consuming – apparently, they have the money to keep the economy humming along. GDP was posted at 2.8%! That is a pretty decent number...

Politicians

Can't live with them – pass the beer nuts. In a rational world this should be all we have to say about that topic but consider the following:

Trump gets shot – His ratings go higher – looks like a shoo-in for the White House.

Sleepy Joe – Steps down – on Twitter – or X as it is now known – not even a public appearance – weird.

Kamala Harris (age 59) – All of a sudden makes Trump look old and disheveled (ok someone else's opinion 😊) – remember Trump is 78 – nothing against 78 years olds 😊.

Now it appears we have a fair fight for the White House – Ok super simplified.

As always this will be great political theater and a decent fight for what could be argued as the lowest paying job per ounce of responsibility in the world today.

Summer Is Here

This is one of our favorite times of the year. The produce is fresh and packed with flavor (blueberries are killing right now) and outdoor pursuits from running to golf to lake life are in full swing. Outside of all the geopolitical issues, the world feels pretty good, with rates lower and growth at a decent level. Sure, there will always be issues like Ford selling less cars and their stock going lower, but we know these are not permanent conditions. Bottom line is, enjoy the summer because it won't be long till Christmas 😊!



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