June 12, 2024

After a tough April, equity markets got back on track in May. Here's a summary of the main events that steered the markets.

Monthly Market Developments

- Equities rose and bond yields fell on better U.S. inflation news, clawing back some of the losses from April. Market performance continued to broaden beyond tech to other sectors and corporate earnings continued to come in strong. YTD U.S., Canadian and global stocks remain in positive territory.

- Canada's labour market recorded a strong gain of 90,000 jobs, underpinned by population growth. However, the unemployment rate was unchanged at 6.1% and wage growth decelerated to 4.7%, the slowest pace since June 2023. While the job numbers were positive, the overall data remains consistent with an easing labour market. In the U.S., the labour market finally showed signs of becoming more balanced. Employment growth slowed, the unemployment rate ticked up, and wage growth moderated, easing fears about a reacceleration in activity and pick-up in inflation.

- China announced a 1 trillion-yuan bond issuance (approximately C$190 billion). Additionally, the government unveiled a plan to bolster the Chinese real estate market. This plan includes lowering the minimum down payment and removing the mortgage rate floor. It also provides 300 billion yuan (approximately C$57 billion) of central bank funding to assist government-backed firms in purchasing inventory from developers to create affordable housing.

- U.S. inflation fell for the first time this year, a welcome relief to investors and the Fed. CPI was 3.4%, down from 3.5% at the end of Q1 2024. While promising, core inflation, which includes food and energy, continues to be sticky and not low enough for the Fed to consider rate cuts. As expected, the Fed left rates unchanged in the 5.25-5.5% range. Fed chair Powell said current policy would be needed for longer than initially thought but would prove sufficiently restrictive over time.

- Canadian CPI cooled from 2.9% to 2.7%, remaining within the Bank of Canada's 1-3% range and close to its 2% inflation target. Falling prices for food, services and durable goods led the way, although gasoline prices remained high. On June 5, The Bank of Canada lowered its key interest rate by a quarter of a percentage point to 4.75%, the first cut in more than four years.

- Japanese inflation also continued to decelerate although it remains above the Bank of Japan's 2% target meaning it may consider further policy measures.

- Inflation data was released in the U.K too, with overall CPI coming in at 2.3%, just shy of the Bank of England's (BoE) 2% goal. However, services inflation, a key metric for the BoE remains elevated at 5.9%. U.K. GDP data was also released showing the economy has rebounded after falling into a recession during the second half of 2023. Q1 2024 GDP was 0.6%, the strongest pace of growth since Q1 2021. The BoE kept its bank rate at 5.25%. Governor Bailey said it was likely the BoE will need to cut rates in the coming quarters and make policy less restrictive than current market rates. The People's Bank of China also kept it benchmark rate unchanged.

How does this affect my investments?

Inflation and anticipated rate cuts continue to drive markets. Central banks are monitoring inflation and underlying economic indicators to assess the timing of rate cuts. Market performance has been broadening beyond tech to other sectors which along with strong corporate earnings reflects a resilient economy. Investors have also been consolidating Q1 gains and shifting to a slightly more defensive position. Volatility is a normal part of investing but there is little reason to expect a severe slowdown.

Regardless of where we are in the market cycle, it's important to take a disciplined approach to investing and stay focused on your long-term goals. This strategy helps you keep your emotions out of investing, typically buying high and selling low like many investors do. Ongoing monitoring and reviewing of your portfolio also ensure it remains on track. Diversifying investments reduces risk as well.

I am here to support you in achieving your financial goals. Please do not hesitate to contact me if you have any questions.

Sincerely,

John S. Bruce, CIM®
Investment Advisor | **Private Client Division**

Direct Line - 613-491-3344
Toll Free - 866-860-4190
Fax - 416-860-7671
Email - jbruce@researchcapital.com
http://www.researchcapital.com
http://www.creatingwealth.ca

Brian Donegan
Assistant Branch Supervisor

Research Capital Corporation
4500-199 Bay Street
Commerce Court West, Box 368
Toronto, Ontario M5L 1G2
T   416 860-7787
TF 1-844-860-7787
BDonegan@researchcapital.com
www.researchcapital.com