Market Update

September 2024

Important Topic: Markets Hit All-Time Highs

Interestingly, once we hit all-time highs many investors get a bit uncomfortable adding to their investments. The thinking is that once we hit a high the only future path is downwards.

While logical and truthful in a literal sense, at its core it is a timing call, and one that turns out to be most unhelpful in building long term wealth.

While it is true that at an all-time high the markets either set another all-time high or fall, the fact that markets can go up or down is a reality on **any** and **every** day. Markets do not know if they are at all-time highs and do not act or react to reaching such a milestone. In fact, statistically all-time highs are usually soon followed by new all-time highs more often than not (This phenomenon is appropriately called “Momentum”). It is only people being emotional, and ping-ponging between greed and fear, who react.

Admittedly, it is a natural emotional response to want to lock in one’s portfolio value at an all-time high. Once reached, many peg their expectations to that figure and any day spent below it is a day of disappointment. But emotions are a very poor guide to investing. In fact, the best investors regularly remind their followers that all emotions must be “checked at the door”. Emotions can lead to poor decision making (true in all areas of life?).

However, shying away from market highs can have a negative effect on one’s returns.

The S&P500 has set 42 all-time highs in 2024, so far. Imagine if one had shied away from the markets at the first all-time high on January 22? One would have missed a 15% increase in nine months. Such a miss is not easily made up. Such periods of market success are a critical part of the one’s long-term return. This is when we make money. So why shy away when the markets reach their 42nd all-time high? The markets could set another series of all-time highs before facing a correction.

One of the reasons we argue for avoiding market timing and sticking to one’s plan is that no one knows when a correction will come. It is possible that one shies away from the markets only to miss out on a continued run. In fact, one could miss out on a market increase, wait for a market correction, buy in, and end up buying at prices **higher** than they are today. Think about that.

Admitting that we do not know when markets will correct (or when they will rise) is an act of humility that leads one to remain invested, sticking to plan.

Market Update: August 2024 – Markets Continue Upward

For the second month in a row, markets started by falling and then rebounded and set a series of all-time highs.

Recent conclusions from articles we have been reading:

- Consumer and business finances are healthy.
- The Federal Reserve and Bank of Canada are cutting rates.
- Stocks have continued to rally even as the election outcome has become more uncertain - Staying invested is more powerful than any political party.
- U.S. companies are doing very well ("crushing it").
- There are no borders in business, meaning many investments benefit from worldwide activity.
- HR industry stocks suggest job openings could rise.
- Expected earnings per share for the S&P 500 over the next 12 months is now about 10% higher than it was at the end of last year.
- Artificial Intelligence (AI) is a tailwind for profit margins.
- Earnings growth is broadening out (more companies participating).
- More stocks are outperforming the average - markets are not being led by the mega stocks anymore.

Given all of this and given the high correlation of stock prices to their underlying earnings, we believe that the soft landing (slowing economy but still moving forward) is still the most likely scenario. We do not expect a recession (a hard landing).

As earnings continue to grow, consumers defying expectations continue to spend, wages remain strong, jobs are available, and there are still several trends, such as technology and health care, that are stimulating much change, we remain optimistic about the rest of 2024 and are positive and optimistic about the medium, and long term.

Most importantly, we are confident about our ability to meet our client's objectives. At the end of the day this last point is all that truly matters.

Index	Quarter	Year to date
Bonds FTSE Canada Universe Bond Index - CAD	4.40%	4.00%
Canadian Equity - S&P/TSX 60 Index - CAD	11.00%	16.30%
US Equity – S&P 500 - USD	5.30%	20.90%
International – MSCI EAFE Index - USD	6.80%	12.90%
Emerging Markets - MSCI Emerging Markets Index - CAD	6.30%	16.70%
Real Estate - Dow Jones® Global Real Estate Index - USD	15.40%	11.40%
S&P/TSX Preferred Share Index - CAD	5.80%	19.40%

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