



# September 2024 Quarterly Update

As summer draws to a close, we hope you've enjoyed the season and found time to relax and recharge. With fall on the horizon, it's an opportune time to review your goals and strategies and check-in with our team.

Over the last quarter, we have had the privilege to work with a few of our clients on their philanthropic goals by making transformational in-kind donations through the Private Giving Foundation (PGF). We recently attended the Miracle on the Mountain Gala on behalf of the Victoria Hospital Foundation where the "Imaging is Power" campaign reached it's \$11-million goal for new imaging equipment. Well-done!

The markets remained oddly calm during the first half of 2024 with very minimal volatility in equities and fixed income, despite simmering geopolitical risks in an election-filled year. This dynamic came to a halt on July 31<sup>st</sup>, triggered by the Bank of Japan surprising global markets with a rate hike that had implications for all investors.

Continue reading for a break-down of key implications of what happened, why and what we expect the next quarter to look like from a portfolio perspective.

**Tamara Bonn, CFA**

**Nikola Gasic, CFA**





## Market Reflections

As a few of you likely saw in the financial media, Japan created a ripple effect in global markets, leading the Nikkei (Japanese stock market) to suffer its worst drawdown since 1987 – a 12% drop in a single day on July 31st. The Bank of Japan was one of the only major developed economies left in 2024 with low interest rates and dovish policy, which led speculators and traders to borrow the Yen and then sell it to fund the purchase of higher-interest currencies such as the Peso. This is called a "carry trade" and can create huge profits but it comes with massive risks when things go wrong. Unfortunately, the latter occurred and leveraged investors were caught by surprise. Overall, the root cause of the Yen being 'cheap' was due to dramatically diverging monetary policies, with the Fed (US) and many other major central banks such as BOC (Canada), ECB (Eurozone) and BOE (UK), tightening policy to combat inflation over the past two years and the BOJ (Japan), doing the opposite as inflation was low.

On August 1<sup>st</sup>, the US Manufacturing Purchasing Managers' Index had dipped and initial jobless claims had risen. On the other hand, corporate profit margins continued to look good and gains in productivity surprised to the upside. A day later, US employment gains moderated, and hiring was worse than expected. The unemployment rate was 4.3% at the end of July, up from a low of 3.4% in April 2023 – however, a historically low figure in general. Then, Warren Buffet's Berkshire Hathaway announced that he sold 389.4 million shares of Apple stock, creating a sense of fear in the stock market. The S&P 500 fell for three straight days, for a total of -6.1%.

The above whiplash created a whirlwind of confusion and ultimately questions from investors. After a few weeks of watching the rapid recovery occur, we heard some wise words from legendary value-investor, Howard Marks which bears repeating:

***"In the real world, things fluctuate between 'pretty good' and 'not so hot', but in investing, perception often swings from 'flawless' to 'hopeless'.*** In short, the market is moody, and one can think of it like a clock, swinging back and forth from one extreme to another versus spending most of its time in a neutral or stable position. In many cases in history, when prices fall dramatically, it's not due to fundamentals turning suddenly horrific, but in fact it is the perception by an investor that things are bad. Howard Marks continued to write that, ***"What this means is that in good times, investors obsess about the positives, ignore the negatives, and interpret things favorably. Then, when the pendulum swings, they do the opposite, with dramatic effects"***.

The implications of the above imply that the market or investors in general are typically not engaged in rational decision-making during periods of volatility. Instead of behaving rationally as theory would suggest, we see "group-think" behavior which can lead to contagion either locally or internationally. Knowing how impactful psychology is can help us become better investors by 1) focusing less on the day-to-day as this won't give us any special intel and 2) revisiting fundamentals which are key to economic, company or asset performance and often tend to be more stable than market may imply.

In summary, we prefer to watch from the sidelines versus jumping on the emotional band-wagon. This approach may seem like we don't take much action at the time, but doing nothing is often harder than reacting!



## Updated thoughts on the US Election

Since our last publication, a material change took place when former President Donald Trump's attempted assassination occurred on July 13<sup>th</sup>, 2024. Trump experienced temporary momentum in the polls, but this quickly changed when President Joe Biden decided to step down from the presidential race and Vice President Kamala Harris's campaign began. Currently, the race is tight for the presidency, and we are still too far away to make any decisive predictions when considering the Senate and House majorities.

As previously stated, the US election can have a direct impact on US companies which we own in our portfolio as certain sectors can benefit positively or negatively. However, our belief is that the current election and past elections may not matter as much as people think to long-term market performance.

Below is an update as of August 26<sup>th</sup>, 2024 that summarizes key highlights we are watching:

### Under Harris

#### Outperform

- Clean energy as energy transition continues and support for renewable energy intensifies
- Semiconductors and Materials due to productivity enhancement technologies and industrial sector investment
- Housing & Construction due to tax-break for homebuilders and plan to increase home supply

#### Underperform

- Healthcare and Consumer Staples due to laws around price gouging or price fixing and cap on drug-prices
- Financials from regulatory oversight in consumer fee protections and corporate transactions
- Traditional energy producers due to potential taxation on big oil producers

### Under Trump

#### Outperform

- Big tech due to softer antitrust approach
- Financials from reduced regulations
- Traditional energy producers due to less regulation
- Healthcare from pricing power and repeal of Affordable Care Act

#### Underperform

- Clean energy following rollback in climate action policies
- Retail stocks due to import tariffs and higher input costs
- Communication Services due to pushback against legacy media

### Bipartisan

- Both candidates will inherit a large US federal budget deficit (US \$1.7 trillion dollars or 6.3% of US gross domestic product in 2023)
- Both candidates will see the expiration of the Tax Cuts and Jobs Acts of 2017
- Both candidates are expected to continue to have a "tough on China" economic policy

Despite the above uncertainty, we continue to believe that long-term diversified exposure to US equities remains a core pillar of a well positioned portfolio.



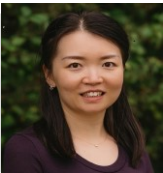
## Meet Our Team

Our team has evolved over the past year, and we thought it would be helpful to provide you with an update and a chance to get to know our friendly staff!

With Denise Skipp's retirement, we are pleased to announce that **Linh Truong** has joined our team as a **Private Client Service Associate**. Linh assists our team in booking client meetings and helps with the administration and operations for annual portfolio reviews, cash requests, transfers and donations. Linh has five siblings, and she enjoys cooking and gardening during her spare time.

Wilson Li recently transferred to TD Wealth Vancouver. We appreciate his contributions and wish him success in the future. We are pleased to announce that **Laura Shi** has joined our team as a **Client Relationship Associate**. Laura assists our team with portfolio monitoring, trading and implementation. Laura's favourite city is Seoul in South Korea because of the delicious food. Laura enjoys quality time with her family and daughter who is three.

**Sabine Ciocan-Polder** continues to support our business as a **Private Client Service Associate**. She joined TD in 1999 and is an integral part of our team, often serving as the first point of contact when clients call our office. Sabine is highly experienced and deeply dedicated to serving our clients. She has two teenage daughters and has many interests that include exploring Vancouver Island, cooking, reading and researching new topics.



**Laura Shi, CFP, M.Sc.**  
Client Relationship Associate  
Tel: 250-356-4083  
laura.shi@td.com



**Sabine Ciocan-Polder**  
Private Client Service Associate  
Tel: 250-356-4041  
sabine.ciocan-polder@td.com



**Linh Truong**  
Private Client Service Associate  
Tel: 250-356-4086  
linh.truong2@td.com

The information contained herein has been provided by The Bonn Gasic Group Wealth Management and is for information purposes only. The information has been drawn from sources believed to be reliable. The information does not provide financial, legal, tax or investment advice. Particular investment, tax, or trading strategies should be evaluated relative to each individual's objectives and risk tolerance.

Certain statements in this document may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects", "anticipates", "intends", "believes", "estimates" and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest and foreign exchange rates, equity and capital markets, the general business environment, assuming no changes to tax or other laws or government regulation or catastrophic events. Expectations and projections about future events are inherently subject to risks and uncertainties, which may be unforeseeable. Such expectations and projections may be incorrect in the future. FLS are not guarantees of future performance. Actual events could differ materially from those expressed or implied in any FLS. A number of important factors including those factors set out above can contribute to these digressions. You should avoid placing any reliance on FLS.

Index returns are shown for comparative purposes only. Indexes are unmanaged and their returns do not include any sales charges or fees as such costs would lower performance. It is not possible to invest directly in an index.

TD Wealth represents the products and services offered by TD Waterhouse Canada Inc., TD Waterhouse Private Investment Counsel Inc., TD Wealth Private Banking (offered by The Toronto-Dominion Bank) and TD Wealth Private Trust (offered by The Canada Trust Company).

The Bonn Gasic Group Wealth Management is part of TD Wealth Private Investment Counsel, who represents the products and services of TD Waterhouse Private Investment Counsel Inc., a subsidiary of The Toronto-Dominion Bank.

All trademarks are the property of their respective owners.

©The TD logo and other TD trademarks are the property of The Toronto-Dominion Bank or its subsidiaries.