RESEARCH CAPITAL CORPORATION

John Bruce

August 7, 2024

It was a case of “all’s well that ends well” for investors in July, as despite a mid-month sell-off, stocks rebounded to end the month in the green. Here’s a summary of the main events that steered the markets.

Monthly market developments

- Stocks rallied and bond yields fell on the final day of July after the Fed left rates unchanged again but hinted it might cut rates at its September meeting. U.S., Canadian and global stocks all posted gains with the S&P/TSX Composite in particular hitting 23,000 points for the first time. This was quite a recovery from mid-month, where investor concerns over the outlook for the U.S. economy in the second half of the year led to a dip in market sentiment and a stock sell-off, in which technology sector stocks took the brunt.
- U.S. economic data presented a mixed bag. Retail sales came in above expectations as did housing starts and building permits data. However, jobless claims rose, adding to other recent data suggesting the labour market is cooling, which would be welcome by the Fed in its inflationary fight.
- Canadian consumer price index (CPI) stayed within the Bank of Canada’s 1-3% range and close to its 2% inflation target. The Bank of Canada reduced its overnight policy rate for the second consecutive month, by 25 basis points to 4.50%. Governor Macklem indicated further rate cuts are likely but emphasized decisions will be made on a meeting-by-meeting basis without committing to a fixed trajectory. The Bank of Canada also published results from its Q2 Business Outlook Survey and Canadian Survey of Consumer Expectations. Both surveys showed inflationary pressures were diminishing.
- U.S. CPI revealed inflationary pressures continued to ease. The Fed’s preferred inflation metric, core services excluding housing, showed deflation for the second month in a row. Moreover, housing inflation, which had been trending sideways for several months, also decelerated. As expected, the

Fed left rates unchanged in the 5.25-5.5% range. Fed chair Powell suggested the Fed might cut rates at its next scheduled meeting in September if both inflation and the labour market continued cooling.

- U.K. headline inflation was unchanged at 2% while services inflation remained elevated at 5.7%, driven by price increases at hotels and restaurants. However, headline wage data revealed a moderation in wage growth.
- The European Central Bank (ECB) kept its policy rate unchanged. ECB president Lagarde stated its September decision is “wide open” and the ECB was “not pre-committing to a particular rate path”.

How does this affect my investments?

Inflation and anticipated rate cuts continue to drive markets. Market performance also continues to broaden from tech to other sectors. Although the U.S. economy is performing well, growing concerns over the outlook for the second half of the year did lead to a classic risk-off environment mid-month. There might be additional volatility as the U.S presidential election looms in November, but there is little reason to expect a severe slowdown. Volatility and pullbacks are a normal part of investing and present strategic buying and rebalancing opportunities for asset managers.

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