



# Monthly Investment Monitor

## December In Review

Stocks continued to rally in December, providing a strong finish to 2023 after a year of uncertainty and volatility. Inflation continued to decline, and investors are increasingly of the view that interest rates will move lower throughout 2024. Furthermore, while global economic growth is slowing, a soft landing now appears more likely than a hard recession. Canadian stocks ended the month higher by 3.9%, ending the year up 11.8%. Energy prices declined, with a corresponding move lower by the energy sector. However, every other TSX sector moved higher in the month. U.S. stocks climbed 4.5% in U.S. dollar terms, up an impressive 26.3% for the full year. Similar to Canada, ten of eleven S&P 500 sectors were positive in December, with the energy sector providing the only negative performance. Canadian bonds climbed 3.43% during December, bringing the year-to-date returns up to a robust 6.69%. Emerging Market equities also gained, up 3.9%, driven by solid performance in India and South Korea.

### Here are some of December's most notable events:

**Inflation is easing lower in Canada and the U.S.** The November Consumer Price Index (CPI) showed that inflation continues to slow. On a year-over-year basis, the CPI increased 3.1% in both the U.S. and Canada, putting the economy closer to the two percent inflation goal targeted by the U.S. Federal Reserve and the Bank of Canada. This was the lowest rate of growth since June. Energy prices decreased 2.3% in the month, contributing to the decline, with notable drops in gasoline and fuel oil prices.

**Major central banks hold rates steady.** The Bank of Canada held rates steady for the third consecutive time at its recent meeting. The U.S. Federal Reserve maintained rates in December. The European Central Bank also kept rates unchanged at its December meeting. Central banks are following the data, which continues to show inflation trending lower after the significant monetary tightening seen over the past two years. While bank officials remain generally cautious and vigilant against lingering inflation, investors are now expecting significant rate cuts throughout 2024, possibly beginning in the spring.

**While the global economy may be slowing, hope remains for a soft landing.** Canada's GDP was flat in November, marking the third consecutive month without growth. While manufacturing declined, gains in mining and retail partially offset this stagnation. The Eurozone economy experienced a slight contraction in Q3, primarily due to slowing business activity. Eurozone GDP decreased by 0.1% quarter-over-quarter, in line with expectations, although employment increased. Meanwhile in the U.S. the labour market showed robust growth in November, with nonfarm payrolls increasing by 199,000, surpassing expectations. The positive labour market data tempered recession concerns in the U.S., as unemployment fell to 3.7%.

Index <sup>†</sup>	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.40	4.77	4.77	177
Bonds (FTSE Canada Universe Bond)	3.43	6.69	6.69	1,121
Canadian Equities (S&P/TSX Composite)	3.92	11.83	11.83	20,958
U.S. Equities (S&P 500, US\$)	4.53	26.26	26.26	4,770
Global Equities (MSCI World, US\$)	4.94	24.44	24.44	3,169
Emerging Markets (MSCI Emerging Markets, US\$)	3.87	10.12	10.12	1,024

Currencies <sup>†</sup>	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	2.40	2.34	2.34	0.76
C\$/Euro	0.96	-0.81	-0.81	0.68
C\$/Pound	1.47	-2.84	-2.84	0.59
C\$/Yen	-2.71	9.88	9.88	106.32

Commodities (US\$) <sup>†</sup>	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	0.71	7.86	7.86	2,072
Oil WTI (\$/barrel)	-5.79	-6.09	-6.09	71.65
Natural Gas (\$/MMBtu)	-9.01	-49.13	-49.13	2.51

<sup>†</sup> Total Return, as at December 31, 2023. Indices are quoted in their local currency. Source: Bloomberg  
Indices are not managed, and it is not possible to invest directly in an index.

### Did You Know?

**Stocks rebounded strongly late in 2023, underlining the benefits of staying invested.** Markets provided excellent returns in 2023, with the S&P 500 up 26.3% for the year. In hindsight the year looks great for investors, although it's worth reflecting on the uncertainty experienced throughout the year. High inflation and interest rates, growing global conflict, and signs of economic deterioration drove volatility and uncertainty throughout the year. Yet improving market conditions drove markets higher late in the year, with the S&P 500 climbing over 9% in November, and another 5% in December. While many nervous investors avoided risk and parked money on the sidelines waiting for volatility to ease, patient investors saw the benefits of remaining invested. While staying invested for the long term can be a nerve-wracking experience, the events of 2023 provide further evidence that it's a winning strategy.

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