



REVIEW AND COMMENTARY 2nd QUARTER – 2024

Canadian publicly traded equities slipped in the second quarter but remain positive year to date. The TSX/S&P composite index posted a loss of 0.5% but has gained over 6% in 2024. The US indexes are mixed. The larger cap S&P 500 (\$USD) gained 4.3% over the quarter while the Dow Jones Industrial Average posted a quarterly loss of 0.3%. Smaller capitalization stocks in the US posted losses in the quarter.

In several of our past quarterlies, we discussed that major indexes, such as the S&P 500, are capitalization weighted and are presently heavily skewed to a few stocks. Thus, looking at the index in isolation may not provide an accurate reflection of the entire market of stocks. In the past quarter, and year to date, while major equity indexes have done well, the broader equity market returns have been more reflective of a slowing economy. For example, while the S&P 500 has performed well, the S&P 400 and 600, which are more reflective of mid and small sized companies, posted losses of 2.5% and 2.1%, respectively. It is increasingly likely in our opinion, that some of the large sized companies leading the indexes, such as Nvidia and Microsoft, may be due for a pause. Since the third week of February 2023 the S&P 500 has not had more than a 2% correction in any single day. If these larger companies pause, it is likely the broader equity markets will outperform given they have experienced a modest retracement already.

The 30-year Long bonds in Canada and the US lost ground in the past quarter posting losses of 1.5% and 1.4%, respectively, while the 10-year government bonds provided marginal gains. Inflation data continues to show signs of abating however, for most consumers, it is not moving fast enough. While May inflation dropped from the previous month in the US, Canada's Consumer Price Index gained marginally to 2.9% from 2.7%. Food and transportation costs in Canada were the primary contributors to the higher-than-expected results. Inflation south of the border is much higher, with May's inflation posting a 3.25% gain. While still too high, Canadian and U.S. CPI peaked at 8.1% and 9% in June 2022, respectively.

US politics will increasingly dominate news flows here and around the globe. Former President Trump's recent legal resilience - given the ruling from the U.S. Supreme Court on Presidential immunity – and a significant number of Democrat Party faithful's shock post June's Presidential debate suggest the race will be close. Yet too close to call, U.S. political news may turn the seasonally quiet summer months for equities more volatile, likely driving more investors toward defensive companies which, in turn, would provide greater equilibrium in terms of price performance between the indexes and the broader markets.