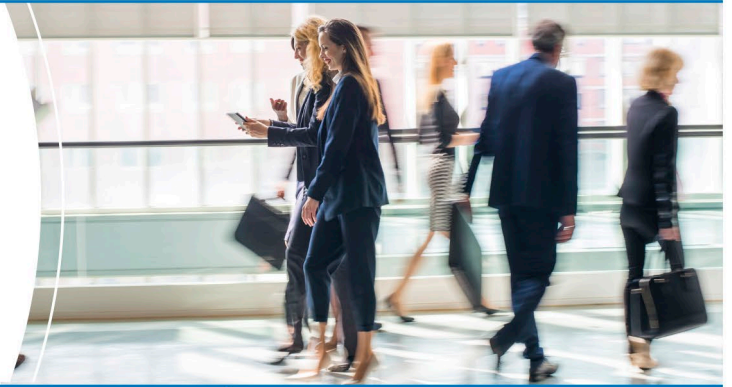


Monthly Newsletter

BMO Private investment Counsel Inc.



Monthly Recap, December 2023

By Marc Bellefeuille MBA CFA FRM CFP
Senior Portfolio Manager and Investment Counsellor

Santa buttoned his sash and put on his galoshes in December bringing with him an incredible rally. The Bulls had so much to rejoice about to finish off 2023 it's hard to know where to start. Here are some of the highlights:

1. Canadian inflation matched the previous month's number at 3.1% annually. Canadians continue to feel the pinch from higher mortgage costs, however that was tempered by lower gasoline prices and a slower pace of prices increases at groceries stores.
2. As expected, the BoC held rates steady at 5% when they met on December 6th. Most economists expect rates to start falling in 2024, however Governor Macklem was quick to point out that inflation is still well over the 2% target and therefore rates need to remain high for some time still to come.
3. US Inflation fell to 3.1% versus 3.2% in the previous month. Both gasoline and food costs were relatively stable. The slight easing of shelter costs made the difference during the month.
4. The FOMC met on December 12th-13th. Rates were held steady as expected, but what was unexpected was the tone of Chairman Powell which sounded more dovish than at any time in the past year. Markets reacted quickly further pricing in foreseen rate cuts in 2024 coming as early as March.



Marc Bellefeuille, MBA, CFA, CFP, FRM
Senior Portfolio Manager
Senior Investment Counsellor
Tel: 416-359-8327
marc.bellefeuille@bmo.com

Monthly recap, December 2023

Canadian Markets:

The TSX followed up on its impressive November returns with additional impressive returns and more breadth. Gains in the financial sector along with technology stocks lifted the TSX a further 4% to close out the year.

US Markets:

US markets capped off a spectacular year that few expected coming into 2023. The Magnificent 7 shown brightly in December and were followed with gains in financials, utilities, energy and more. All of which is setting up for a very interesting beginning to 2024.

Global Markets:

Global markets in Europe performed well in December somewhat akin to their counterparts in North America. The MCSI EAFE index improved by nearly 6% to close out the year while the FTSE 100 in London gained nearly 4% on the month. Emerging markets sprang to life in December as well with the MCSI EM index adding 4.5% to its gains in 2023. Asia was the sole trading area that did not see improvement in December with the Nikkei 225 holding steady and the Hang Seng in HK falling a further 2.5% to end the year.

Fixed Income Markets:

Fixed income markets were very active in the month of December, especially after the FOMC meeting. Mid to long term yields fell in both Canada and the US greater than 40 Bps on average. The strong correlation between fixed income and equity markets remained in December which is something to pay attention to in 2024.

This last year was anything but easy for investors. Patient investors were richly rewarded for their steadfastness this past year. My personal reflections on the year that was that 2023 was a good reminder at how non-linear market returns can be and that having a plan and focusing on earnings pays off when you hold the course.

World Equity Indices December 31st 2023

Index	Price	YTD	1 Year
North American			
S&P/TSX Composite	20,958	8.08%	8.08%
S&P 500	4,770	24.10%	24.10%
DJIA	37,690	13.08%	13.08%
NASDAQ	15,011	42.71%	42.71%
Global			
MSCI EAFE	2,099	15.03%	15.03%
MSCI Emerging Markets	971	7.04%	7.04%
FTSE 100	7,733	3.77%	3.77%
Nikkei 225	33,464	28.24%	28.24%
Hang Seng	17,047	-16.65%	-16.65%

Fixed Income

Canada	Yield	MoM
Overnight	5.00%	0.00%
1 Year	4.66%	-0.16%
2 Year	3.88%	-0.47%
5 Year	3.17%	-0.46%
10 Year	3.10%	-0.45%
30 Year	3.02%	-0.34%
US		
Fed Funds Target Rate	5.50%	0.00%
1 Year	4.79%	-0.33%
2 Year	4.23%	-0.48%
5 Year	3.84%	-0.44%
10 Year	3.88%	-0.46%
30 Year	4.03%	-0.47%