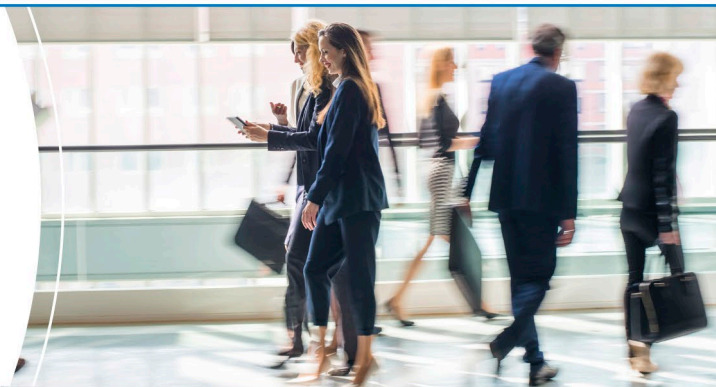


# Monthly Newsletter

BMO Private investment Counsel Inc.



## Monthly recap, August 2023

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

The markets were in fact open in August despite what the average volumes might have indicated. Most indexes did undergo a retracement from their July highs. North American markets fared better than their global counterparts. Here are a few of the highlights.

1. Canadian top line (nominal) inflation raised some eyebrows as the July report indicated a rise of 0.2%, 3.2% annually up from 3% the month prior. However, core inflation, excluding volatile food and energy, came in a tad lower at 4.2% down from 4.4% in the prior month.
2. Not to be outdone, Canadian GDP data for Q2 surprised just about every economist and strategist around the globe as growth contracted by (-0.2%) versus a consensus estimate of 1.2% growth and a BoC estimate of 1.9% growth.
3. Inflation data in the US also rose to 3.2% versus 3.0% in the previous month largely due to higher energy costs. On a seasonally adjusted basis the reading was flat. Core inflation declined to 4.7% from 4.8% with shelter and transportation services being the big contributors.
4. While there was no FOMC in the month of August, Fed officials along with economists and central bankers from many other jurisdictions met in Jackson Hole for the annual meeting. Fed Chairman Powell in his speech indicated that inflation remains stubbornly high, and more hikes may be needed to tame it.
5. Christine Lagarde of the ECB echoed Powell's statement as inflation remains a problem in Europe, which is made harder due to falling PMIs and decelerating GDP growth on the continent.

### Canadian Markets:

The TSX lost a couple of points in August. Lackluster earnings from the major banks and a drop in technology stocks were more than a rise in energy stocks could support. The index dropped (-1.7%) in August.

### US Markets:

After the huge run in July tech stocks gave some back in August which proved to be the biggest influence on all 3 major indexes. Things might have been much worse for tech stocks if not for a monster earnings report from Nvidia which helps to restore some measure of confidence for future profit gains in the sector. Despite all this, the DJIA fell by (-3.03%) and the S&P 500 fell by (-2.12%). The tech heavy NASDAQ also fell by (-2.98%). However, all 3 indices have produced a healthy return year to date by historical standards.



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### Global Markets:

The MSCI EAFE fell similarly to its peers across the pond, falling (-2.06%). The story was not the same in Asia for emerging markets. The MSCI EM index fell by (-5.55%) and the Hang Sang index in Hong Kong fell by (-5.77%).

### Fixed Income Markets:

Canadian fixed income markets were little changed with the biggest moves occurring at the long end of the curve with the 10-year yield falling by 7 basis points and the 30-year falling by 8 basis points.

US fixed income was more volatile in August. Most of the action was again felt at the long end of the curve with the 10-year falling by 14 basis points and the 30-year falling by 20 basis points.

### World Equity Indices August 31st 2023

Index	Price	QTD	YTD	1 Year
<b>North American</b>				
S&P/TSX Composite	20,293	0.68%	4.68%	4.98%
S&P 500	4,508	1.29%	17.40%	13.97%
DJIA	34,722	0.91%	4.75%	10.19%
NASDAQ	14,035	1.79%	34.09%	18.78%
<b>Global</b>				
MSCI EAFE	2,117	-0.67%	8.92%	15.04%
MSCI Emerging Markets	988	-0.12%	3.34%	-0.58%
FTSE 100	7,439	-1.23%	-0.17%	2.13%
Nikkei 225	32,619	-1.72%	25.00%	17.92%
Hang Seng	18,382	-2.82%	-7.07%	-6.20%

### Fixed Income

Canada	Yield	August
Overnight	5.00%	0.00%
1 Year	5.22%	0.04%
2 Year	4.65%	0.03%
5 Year	3.89%	0.01%
10 Year	3.57%	-0.07%
30 Year	3.38%	-0.08%
<b>US</b>		
Fed Funds Target Rate	5.50%	0.00%
1 Year	5.38%	0.00%
2 Year	4.86%	0.02%
5 Year	4.25%	-0.07%
10 Year	4.10%	-0.14%
30 Year	4.21%	-0.20%