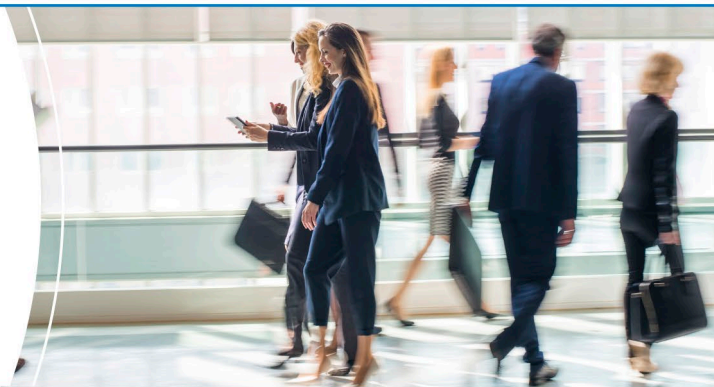


# Monthly Newsletter

BMO Private investment Counsel Inc.



## Monthly Recap, May 2023

By Marc Bellefeuille MBA CFA FRM CFP  
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While April may have seemed a tad sleepy in financial markets, the month of May made up for it and then some. Here are some of the highlights from the last month.

1. The Fed held the FOMC on May 2-3rd and voted to raise the overnight rate in the US from 5% to 5.25%. Chairman Powell gave some indication in his speech that rate hikes may be put on pause after this meeting. The minutes of the Fed meeting suggested that officials were split on the decision to raise at all in May raising bets that a pause on hikes may be imminent.
2. Inflation data in the US was released on May 10th based on the month of April. The rate of inflation dropped below 5% for the first time this year coming in at 4.9%
3. The IMF raised its economic forecast for Asia this past month. They now expect GDP growth in Asia of 4.4% this year up slightly from previous forecasts.
4. The BoC did not meet in the month of May however both inflation and GDP growth came in higher-than-expected giving rise to concerns that the BoC may soon need to recommence raising rates in Canada. June will be a critical data point as inflation rose by 1.5% in June of 2022. Rolling over that figure will provide a good indication of the stickiness of inflation in the great white north.
5. Germany, Europe's largest economy officially fell into a recession this past month. After the German economy shrunk by (-0.5%) in the final quarter of 2022, the economy shrunk by a further (-0.3) during the first quarter of 2023 largely due to high interest rate and high energy prices which in combination have been attacking the country's economic foundations.
6. A somewhat bi-partisan bill to raise the debt ceiling in the US was struck and passed in the House of Representatives this past month. The stand off over the debt ceiling roiled financial and fixed income markets throughout the month. The deadline to pass a bill is the first week of June according to Treasury Secretary Yellen, who says the treasury would run out of money soon unless a deal is passed. The Bill was sent to the Senate on May 31st where it will face many hurdles in a race against the clock to avoid default.



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## Monthly Recap, May 2023

### Canadian Markets:

The TSX had it pretty rough in the past month giving up most of it's gains for the year. The drop was largely due to poor performance in the Banking sector as RBC, TD and BMO all showed signs of declining profitability due to falling loan demand and higher loan losses. The energy sector was also a detractor in May as energy prices for the most part continued to fall anticipating lower demand as the economy continues to slow. The TSX ended the month at 19,572.2 down (-2.72%) and sits at 0.97% YTD.

### US Markets:

It depends on who you are talking to when it comes to US markets as May drew to a close. While the tech heavy Nasdaq rose an incredible 6.82% the DJIA fell by (-1.1%) The mere broadly diversified S&P 500 would normally be a balancing bridge between the two but that has just not been the case. As it stands the S&P 500 has returned 8.86% YTD, but just 20 stocks out of the 500 tracked represent 80% of the returns. The bow out quarter from the chip maker Nvidia further lifted the sector into high gear while also adding steam to the rally that's been on-going in equities with ties to artificial intelligence like Microsoft and Alphabet.

### Global Markets:

Markets in Europe slumped in May with the news of the recession in Germany and the specter of slowing growth worldwide. However Japanese equities bucked the trend in a big way with the Nikkei 225 rising 10.91% in May, returning now 18.37% YTD. The Hang Sang however had the opposite result as it fell (-10.95%) during the month which it to (-7.82%) YTD.

### Fixed Income Markets:

The debt ceiling and mixed inflation data in Canada and the US wreaked havoc in the fixed income markets this past month. In Canada the largest moves were felt between 2-5 years where yields rose approximately 50 basis points on average. The moves in the US centered around the 1–2-year durations which is due to the nature of the deal on the debt ceiling which will allow for the ceiling to be raised until after the presidential election in 2024.

### World Equity Indices May 31st 2023

North American	Price	QTD	May	YTD
S&P/TSX Composite	19572.2	3.69%	-2.72%	0.97%
S&P 500	4179.8	7.03%	1.83%	8.86%
DJIA	32908.3	0.38%	-1.10%	-0.72%
NASDAQ	12935.3	16.77%	6.82%	23.59%
<b>Global</b>				
MSCI EAFE	2075.9	7.23%	-0.44%	6.79%
MSCI Emerging Markets	970.3	3.07%	-1.61%	1.46%
FTSE 100	7446.1	2.42%	-2.50%	-0.08%
Nikkei 225	30887.9	7.46%	10.91%	18.37%
Hang Seng	18234.3	3.13%	-10.95%	-7.82%

### Fixed Income

Canada	Yield	QTD	May
Overnight	4.50%	0.00%	0.00%
1 Year	4.82%	0.41%	0.32%
2 Year	4.22%	0.48%	0.56%
5 Year	3.44%	0.42%	0.46%
10 Year	3.18%	0.29%	0.35%
30 Year	3.15%	0.15%	0.22%
<b>US</b>			
Fed Funds Target Rate	5.25%	0.25%	0.25%
1 Year	5.16%	0.57%	0.38%
2 Year	4.40%	0.37%	0.38%
5 Year	3.75%	0.18%	0.25%
10 Year	3.64%	0.17%	0.21%
30 Year	3.86%	0.21%	0.19%