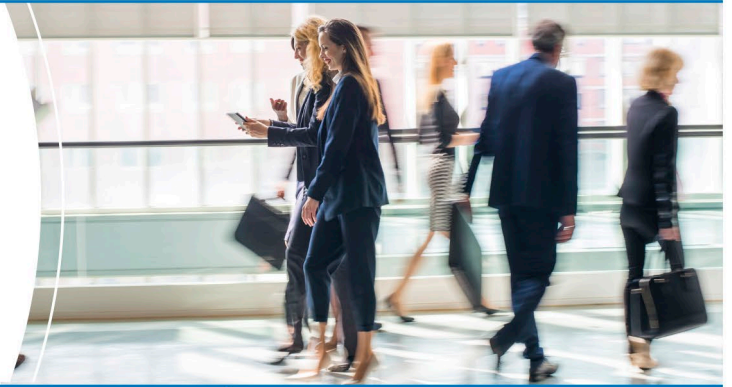


Monthly Newsletter

BMO Private investment Counsel Inc.



Monthly Recap, October 2023

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The witches of Salem were out in October scaring up a storm. Well at least it seemed that way in the financial markets. Despite mostly strong results from early Q3 reporters, both stocks and bonds found themselves in the crosshairs of volatility. Here are some highlights from the month:

1. Top line inflation came in lower by 0.2% leading the CPI down to 3.8% annually for the month of September. Groceries remained high but showed signs of lowering in this report. Energy was also higher in this report. However durable goods continued its decent and now looks to be in deflationary mode. Airfares also saw a steep decline of -21.1% on a year over year basis.
2. The BoC met on October 25th and decided to hold the target overnight rate at 5%. Recent data including GDP, jobs and even inflation itself suggests that the economy is slowing down. While the BoC is not ruling out further rate hikes, it's looking more and more like we may be at the end of the recent aggressive rate hiking campaign.
3. US inflation came in flat month over month and remains at 3.7% annually accordingly to the U.S. Labor Department data published on October 12th. US Core PCE (the Fed's pet data point) fell to 3.68%, down from 3.84% the previous month. This is the lowest level seen since May 2021.
4. The FOMC met on October 31st- November 1st and announced a policy decision to hold rates steady at this time. Chairman Powell gave some suggestion in his speech that the Fed may be done with this hiking cycle. The recent rise in longer term treasury rates may be doing some of the heavy lifting for the Fed. While not ruling out further hikes, there was some suggestion that rates may already be restrictive enough to slow growth and inflation.
5. Mme. Lagarde of the ECB announce the first rate pause this year at the ECB. She did not take further hikes off the table as inflation remains high. But she did indicate that the material slow down in growth on the continent required a pause at this time.



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Canadian Markets:

The TSX fell into negative territory for the year in October. The contributors were widespread with financials off 3-5% and big tech names like Shopify losing a lot of ground during the month. The silver lining remains that the TSX looks to be very oversold by technical metrics and fundamentally the index is trading at the bottom of its historic P/E multiple range.

US Markets:

US Markets also sold off broadly, but the mega caps in the technology space were most to blame. Despite great earnings reports from Microsoft and Netflix, it just wasn't enough to put markets at ease with the rapid rise in treasury yields.

Global Markets:

Global markets fared no better than their North American counterparts. The MSCI EAFE was off approximately 3.5% as was the MSCI EM. In Asia the Nikkei 225 fell 4% as did the Hang Seng in Hong Kong. The declines seemed broadly in step with what was witnessed in the west.

Fixed Income Markets:

The big story in October was in the not so easily followed fixed income markets. Short term interest rates in Canada were little changed and somewhat improved as the 1-year yield fell by -0.12%. The mid to long end of the curve however observed some material moves with the 5 year up 0.23%, and the 10 year up 0.49% month over month.

US treasuries were even more dramatic with the 5-year moving up 0.59% and the 10-year rising 0.82% in just one month.

Despite all the volatility, the fact remains that earnings appear to be resilient. The higher level of interest rates also takes some of the pressure off central banks to continue to tighten financial conditions. With stocks trading at the bottom end of their trading ranges, a rally could be right around the corner. It will be interesting to see how November plays out.

World Equity Indices October 31st 2023

Index	Price	YTD	1 Year
North American			
S&P/TSX Composite	18,873	-2.64%	-2.84%
S&P 500	4,194	9.23%	8.31%
DJIA	33,053	-0.28%	0.98%
NASDAQ	12,851	22.78%	16.96%
Global			
MSCI EAFE	1,952	0.41%	11.54%
MSCI Emerging Markets	922	-3.61%	8.69%
FTSE 100	7,322	-1.74%	3.20%
Nikkei 225	30,859	18.26%	11.86%
Hang Seng	17,112	-13.49%	16.51%

Fixed Income

Canada	Yield	MoM
Overnight	5.00%	0.00%
1 Year	5.22%	-0.12%
2 Year	4.65%	0.10%
5 Year	3.89%	0.23%
10 Year	3.57%	0.49%
30 Year	3.38%	0.47%
US		
Fed Funds Target Rate	5.50%	0.00%
1 Year	5.38%	0.08%
2 Year	4.86%	0.23%
5 Year	4.25%	0.59%
10 Year	4.10%	0.82%
30 Year	4.21%	0.87%