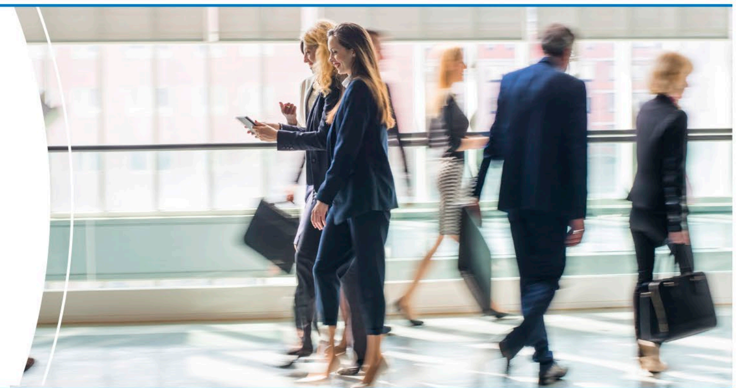
# Monthly Newsletter

BMO Private investment Counsel Inc.



## Monthly recap, September 2023

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

Now is the season of our discontent. Yes, I know I misquoted Shakespeare, but it's not winter yet! It was September and true to form September lived up to its reputation for being the worst month for the stock market. Fixed income markets faired no better themselves in the past month as yield up price down was the theme. Here are some highlights from the month that just past:

1. Inflation in Canada came in hotter then expected with top line inflation reaching 4%. Higher prices at the pump and rising shelter costs were the culprits. This was largely expected by the BoC, but this is still a concern which could mean interest rates will need to stay higher for longer.

2. The Boc met on September 6 and decided to hold the target overnight rate at 5%. They did however leave the door open for future rate hikes if required to pull inflation back down to the 2% target.

3. Inflation in the US also rose in August to 3.7% up from 3.2% again largely due to higher energy costs. The move largely matched expectations, more importantly core inflation (without food and energy) came in right on expectations indicating that less seasonally volatile inflation input is cooling.

4. The POMC met on September 19-20th and announced a policy decision to hold rates steady at this time. Chairman Powell was adamant in his speech that future rate hikes are not off the table at that they Fed is committed to bringing inflation back to the 2% target.

5. Christine Lagarde of the ECB also announced the rate decision on behalf of the governing council. In contrast to their North American counterparts, the ECB decided to raise rates by 0.25% pointing to persistent stubborn inflation on the continent.

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

Tel: 416-359-8327
marc.bellefeuille@bmo.com

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Canadian Markets:
The TSX lost ground in September. The biggest contributor to the decline was the tech darling Shopify which shed 17% during the month. Not much else worked to help balance the boat as the major banks lost an average of 3% and the major oil companies were down 2% on average despite higher oil prices. The silver lining in all this is that technical indicators suggest that TSX stocks reached extreme oversold extremes at the end of the month which all things equal could suggest a positive bounce in the month of October.

US Markets:
US markets were led down by technology stocks last month with companies like Apple down 8% and Amazon down 6%. The major chip makers exacerbated the decline with Advanced Micro Devices and Nvidia both down 7% during the month. The technical also read at oversold extremes in both the Nasdaq and the S&P 500, which like their cousin north the border, indicates a possible positive reversal in the coming month.

Global Markets:
The MSCI EAFE fell -4.51% in the month of September as the strong US dollar threatens to potentially entrench higher inflation in Europe. The same could be said of the MSCI Emerging Markets as it fell -4.69% with also the US dollar playing a factor in the decline. The Nikkei 225 halted it's rise falling -2.91%, dragged down by similar market forces and poor seasonality in the month of September. The Hang Sang also fell -2.90% as it continues to struggle since the beginning of 2023.

Fixed Income Markets:
Canadian fixed income markets were anything but calm this past month with the 2 year up 0.36% and the 10 year up 0.46%

US fixed income continued its volatile trend since mid August, due in large part to the threat of a government shut down, with the 2 year up 0.18% and the 10 year up 0.48%.

At least we can all breath a sigh of relief that September, which historically has been the worst performing month for stocks over 100 years, is behind us. For investors who were waiting for an opportunity to put some more cash to work this may be the opportunity they have been waiting for.

**World Equity Indices September 29th 2023**

| Index | Price | YTD | 1 Year |
|---|---|---|---|
| **North American** | | | |
| S&P/TSX Composite | 19,541 | 0.81% | 5.96% |
| S&P 500 | 4,288 | 11.68% | 17.79% |
| DJIA | 33,508 | 1.09% | 14.65% |
| NASDAQ | 13,219 | 26.30% | 23.11% |
| Global | | | |
| MSCI EAFE | 2,024 | 4.41% | 22.30% |
| MSCI Emerging Markets | 944 | -1.29% | 8.11% |
| FTSE 100 | 7,608 | 2.10% | 10.56% |
| Nikkei 225 | 31,858 | 22.09% | 20.57% |
| Hang Seng | 17,810 | -9.97% | 3.75% |

***Fixed Income***

| **Canada** | Yield | MoM |
|---|---|---|
| Overnight | 5.00% | 0.00% |
| 1 Year | 5.22% | -0.01% |
| 2 Year | 4.65% | 0.23% |
| 5 Year | 3.89% | 0.36% |
| 10 Year | 3.57% | 0.46% |
| 30 Year | 3.38% | 0.57% |
| **US** | | |
| Fed Funds Target Rate | 5.50% | 0.00% |
| 1 Year | 5.38% | 0.09% |
| 2 Year | 4.86% | 0.18% |
| 5 Year | 4.25% | 0.36% |
| 10 Year | 4.10% | 0.48% |
| 30 Year | 4.21% | 0.50% |