

Monthly Newsletter

BMO Private Investment Counsel Inc.



Monthly recap, January 2023

By Marc Bellefeuille

The financial markets rocketed back into bullish form in January after some late volatility in the latter half of December. Leading the way was the tech heavy NASDAQ which was up 10.68% off the back of impressive earnings reports from companies like Netflix and Tesla. The S&P 500 was up 6.18% on the month with tech and energy stocks leading the way higher. Here in Canada the TSX moved 7.13% higher. The largest contributors were Shopify and Constellation software. The reopening in China due to the relaxation of Covid zero policies widely followed across the major population centre led to an incredible bounce back of 10.42% for the Hang Seng index on Hong Kong. Greater energy security in continental Europe was a major contributor to the Euro Stoxx 50 index (EUR) rising 7.97% during the month. Returns were more modest by comparison in Japan, but no less impressive as the Nikkei 225 rose 4.72% in January.

On the economic front there was some positive news in relation to inflation. The headline rate of inflation cooled to 6.5% in December, down from 7.1% in November, according to the U.S. Labour Department of Data. Further good news was announced on January 27, 2023, when the Core PCE deflator, which is a preferred metric of the Federal Reserve, came in at 4.4% in December. It was down from 4.7% in November and is currently reporting the lowest monthly increase since October of 2021. This data is adding to the consensus view that the Fed will further slow the pace of tightening financial conditions. As expected, the Fed has delivered a 0.25% hike at their meeting on Feb 1st 2023 which now pushes the overnight rate in the US to 4.5% - 4.75%.

The Canadian inflation rate, measured by the Consumer Price Index (CPI) rose by 6.3% in December down from 6.8% in November. The Bank of Canada (BoC), as expected, raised the benchmark rate by 0.25% to 4.5% January 25th, 2023, and they further announced that they will pause on more rate hikes at this time.

All eyes in Europe will be on the ECB meeting on February 2nd, 2023, where President Christine Lagarde is expected to deliver another 0.50% rate hike to try and tame the quick pace of wage inflation on the continent.

Financial Education Corner

Personal Consumption Expenditures Price Index (PCE):

The most widely followed inflation measure in the us is the Consumer Price Index (CPI). The data provided in the CPI is a measure of the price changes in a basket of goods and services consumed by households. PCE goes a bit further in that it tracks a wide range of consumer expenses and therefore can more quickly reflect changes in consumer behaviour. The Federal reserve generally has preferred PCE over CPI data in the past to help shape policy decisions.



Let's Connect

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World Equity Indices January 31st 2023

Index	Price	MTD	YTD
North American			
S&P/TSX Composite	20767.4	7.13%	7.13%
S&P 500	4076.6	6.18%	6.18%
DJIA	34086	2.83%	2.83%
NASDAQ	11584.6	10.68%	10.68%
Global			
MSCI EAFE	2108.3	8.46%	8.46%
MSCI Emerging Markets	1044	9.16%	9.16%
FTSE 100	7771.7	4.29%	4.29%
Nikkei 225	27327.1	4.72%	4.72%
Hang Seng	21842.3	10.42%	10.42%

Fixed Income

Canada	Yield	MTD	YTD
Overnight	4.50%	0.25	0.25
1 Year	4.53%	-0.08	-0.08
2 Year	3.75%	-0.3	-0.3
5 Year	3.03%	-0.38	-0.38
10 Year	2.92%	-0.39	-0.39
30 Year	2.97%	-0.3	-0.3
US			0
Fed Funds Target Rate	4.50%	0	0
1 Year	4.66%	-0.03	-0.03
2 Year	4.20%	-0.22	-0.22
5 Year	3.62%	-0.39	-0.39
10 Year	3.51%	-0.37	-0.37
30 Year	3.63%	-0.33	-0.33

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