

November 2023

Markets Surge with Falling Inflation

The Canadian benchmark index, the S&P/TSX Composite, was up 7.2% for the month, its biggest monthly advance since November 2020. In the US, the S&P 500 gained 8.9%, the second-best November dating back to 1980. Gold soared to a new all-time high, exceeding US\$2,100 per ounce, driven by expectations of early US rate cuts and comments from Fed Chair Jerome Powell signaling a potential shift in monetary policy. The Canadian Dollar gained against the US Dollar, closing the month at 1.35607. A Fear/Greed index designed to measure investor sentiment using several different indicators has shifted from 'Fear' last month to 'Greed'.

In October, Canada's Consumer Price Index (CPI) rose 3.1% year-over-year. This is lower than September's 3.8% gain and demonstrates the impact of tighter monetary policy in achieving the Bank of Canada's objective of returning inflation to their 2% target. Food prices rose at 5.4% year-on-year, far outstripping overall inflation, although this rate has now cooled for four months in a row. Inflation was slightly higher in the US, with CPI coming in at 3.2% compared to 3.7% the month prior.

Fixed income led in terms of abnormally large returns amid a shift in the market narrative in favor of significant US Federal Reserve rate cuts in 2024. Importantly, the strong performance of US investment credit and global government bonds suggests that investors expect the rate cuts to occur in a non-recessionary context. After surging past 4.2%, the highest rate since September 2007, yields on Government of Canada 10-year bonds have pulled back towards 3.50% indicating expectations of a peak in interest rates and potential rate cuts.

The Canadian government has announced significant new spending on housing and industrial subsidies, totaling \$20.8 billion over six years. This move is expected to increase Canada's budget deficit amidst a slowing economy and rising borrowing costs. Key measures include \$15 billion for apartment construction and a \$1 billion investment in non-profit housing, along with incentives for rental housing projects. The announcement emphasized Canada's relatively small deficit and debt compared to other G7 nations and the government's commitment to keeping future deficits under 1% of GDP.

Canada's third-quarter GDP data revealed a contraction, primarily due to international trade issues and lower inventories. The apparent stability in domestic demand is misleading as it's bolstered by increased public spending; excluding this, the private sector contracted by 0.4%. Business investment is declining in response to a drop in profits and high interest rates. This economic downturn is causing reduced confidence among small and medium enterprises, with potential impacts on hiring and consumption. Consumer confidence is notably low, and the full effects of recent interest rate hikes are yet to manifest, suggesting further challenges ahead for the economy.

Portfolio Contributors

- **Nucor (NUE)** beat estimates with their Q3 earnings reported on Oct 24th. The stock rallied 15% in November, returning to previous levels since the drop earlier this fall.
- Similarly, shares of **JPMorgan Chase & Co (JPM)** jumped 12.76% in November after a strong Q3. High interest rates have bolstered net interest income for the investment banks bottom line.

Portfolio Detractors

- Although **Tourmaline Oil (TOU)** was a top performer in October, lower demand for energy and warmer weather in November caused shares to slide back down 10.5%.
- Shares of **Cisco Systems (CSCO)** dropped 7.7% post earnings report in mid-November due to company guidance citing a slowdown in customer orders.

*All returns are for the reported month and in local currency.
All data sourced from SIACHarts and FACTSET.*

Invest with
PURPOSE

Investment and Benchmark Performance
as of November 30th, 2023

Name	1-Mo	3-Mo	6-Mo	1-Yr	3-Yr Annualized	5-Yr	YTD 2023	2022	2021	2020	2019
CPF Fixed Income Model	3.7%	1.4%	0.9%	2.7%	-2.1%	1.1%	3.4%	-8.3%	-1.8%	4.5%	8.3%
Canadian Universe Bond Index	4.5%	2.0%	0.6%	1.5%	-3.9%	0.8%	3.0%	-11.7%	-2.8%	8.6%	7.3%
CPF Equity Model	0.0%	0.8%	0.8%	3.7%	6.7%	7.6%	8.0%	-19.8%	6.9%	15.0%	19.2%
MSCI World Index (CAD)	6.7%	1.8%	7.8%	12.9%	9.0%	10.1%	17.7%	-11.6%	21.9%	11.4%	21.5%
CPF Alternative Model	0.1%	0.8%	1.9%	3.6%	6.6%	7.6%	3.6%	7.1%	6.9%	10.3%	7.8%
Absolute Return of 5% Per Year	0.4%	1.3%	2.5%	5.0%	5.0%	5.0%	4.2%	5.0%	5.0%	5.0%	5.0%
CPF North American Stock Model	5.3%	0.8%	5.1%	6.5%	10.9%	12.4%	12.3%	-9.1%	33.8%	12.2%	25.1%
50% S&P/TSX60 + 50% S&P500	8.0%	1.1%	7.0%	6.5%	7.1%	8.9%	12.5%	-14.5%	24.7%	10.0%	25.5%

All performance data tracked in SIACHarts. All returns are gross of advisor fees.


Name	1-Mo	3-Mo	6-Mo	1-Yr	3-Yr Annualized	5-Yr	YTD 2023	2022	2021	2020	2019
Conservative Portfolio	3.3%	0.9%	2.4%	3.9%	2.9%	4.7%	6.1%	-5.4%	5.4%	8.7%	10.3%
Conservative-Balanced Portfolio	3.5%	0.9%	2.6%	4.0%	3.3%	5.1%	6.5%	-5.7%	6.1%	9.5%	11.3%
Balanced Portfolio	3.6%	0.9%	2.8%	4.2%	3.8%	5.6%	6.8%	-6.0%	7.3%	10.3%	12.5%
Balanced-Growth Portfolio	3.7%	0.8%	3.0%	4.3%	4.4%	6.1%	7.2%	-6.2%	8.4%	11.2%	12.8%
Growth Portfolio	3.8%	0.8%	3.1%	4.4%	4.7%	6.4%	7.5%	-6.5%	9.1%	11.4%	13.4%
SRI-ESG Enhanced Portfolio	6.5%	1.2%	5.6%	16.6%	8.2%	11.8%	20.4%	-8.8%	13.5%	21.0%	18.1%

All performance data tracked in SIACHarts. All returns are gross of advisor fees.

Proxy funds used for benchmark indexes:

- Canadian Universe Bond Index: iShares Canadian Universe Bond Index EFT (XBB.TO)
- MSCI World Index (CAD): iShares MSCI World Index EFT (XWD.TO)

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