4th Quarter 2023
Portfolio Management
Gill Wealth Group

Wealth Management
Dominion Securities

January 29, 2024

RBC Dominion Securities Inc.

Sandeep S. Gill, MBA, CFA
Portfolio Manager & Investment Advisor
sandeep.g.gill@rbc.com
780-493-7767

Mina Ebied
Associate
mina.ebied@rbc.com
780-641-1061

Our Extended Specialist Team

HNW Planning:
Coady Cormier

Business Owner Planning:
Darren Bank, Faisal Jamal

Will & Estate Planning:
Avideh Parent, Victoria Schneider, Bryn Bezaire

Estate Planning (Insurance):
Denny Smith, David Temple

Financial Planning:
Monika Zarzycki, Arun Jiwa

www.gillwealthadvisors.com

Executive Summary

Beyond the tipping point

We now have the confirmation that the November 2023 Federal Reserve meeting was the tipping point for the bearish investor pessimism since the brutal 2022 market sell off. The strong market rally in November and December 2023 vastly exceeded majority investor expectations.

Such strong reversals generally signal **an important turning point** in market momentum and investor sentiment. We think that the market will **breakout of the range** established since the end of 2021 and head higher in the medium term *(Exhibit 1).*

With the current Fed Fund key policy interest rate at 5.25%-5.50%, which is much higher than the historical neutral rate of approximately 2.50%, latest inflation level below 3.00%, and strong GDP growth of 3.30%, the debate is as to **how much and when will the policy rates start to trend lower.**

For sure, the policy makers now have a decent amount of flexibility to lower rates if there is an economic slow down, 5.25%-5.50% versus 2.50%. However, we think that the central banks will be slow in reducing the interest rates **to avoid the risk of flip flops for the rate policy**. Reason being that despite the extremely restrictive monetary conditions due to the steep rate hikes, **the economy, so far, exhibited resilient growth with lower unemployment levels.** Central banks will require a **confirmation of sustained lower inflation rate prior to reducing interest rates.**

The financial markets maybe overstretched in the short term, but **any correction should be short lived** due to the following reasons.

a. $8.8 trillion in cash and money market instruments, that may have missed the 2023 rally and would like to participate in any further rally in the markets.
b. the outlook for lower rates in 2024.
c. lower trending inflation.
d. a resilient economy.

Majority of the market gains in 2023 and in early 2024 are attributable to the large technology companies, the Magnificent 7. With the positive economic backdrop, we think the market rally will broaden to other sectors in 2024.

We took advantage of the steep market rally in the 4th quarter to **upgrade the quality of the investment portfolios**. Cash levels were increased as we got rid of some positions that do not align with our 2024 asset allocation strategy. The cash is currently deployed in high interest savings account equivalents with yields >4%. We will redeploy the cash into any short-term selloff or attractive opportunities.

With a **strong performance for our client portfolios in 2023**, higher levels of cash equivalents and a favourable 2024 economic backdrop, we are quite comfortable with the portfolio positioning and ready to take advantage of investment opportunities in 2024.

4th Quarter 2023
Portfolio Management
Gill Wealth Group

Wealth Management
Dominion Securities

January 29, 2024

Exhibit 1

Source: RBC Wealth Management, Bloomberg, Optuma

This information is not investment advice and should be used only in conjunction with a discussion with your RBC Dominion Securities Inc. Investment Advisor. This will ensure that your own circumstances have been considered properly and that action is taken on the latest available information. The information contained herein has been obtained from sources believed to be reliable at the time obtained but neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers can guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report is furnished on the basis and understanding that neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers is to be under any responsibility or liability whatsoever in respect thereof. The inventories of RBC Dominion Securities Inc. may from time to time include securities mentioned herein. RBC Dominion Securities Inc.* and Royal Bank of Canada are separate corporate entities which are affiliated. *Member-Canadian Investor Protection Fund. RBC Dominion Securities Inc. is a member company of RBC Wealth Management, a business segment of Royal Bank of Canada. ® / ™ Trademark(s) of Royal Bank of Canada. Used under licence.