Wealth
Management

Ravinsky Wealth Management Group

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Recent Posts

Recession scorecard update: Stop and start

There have been no recent scorecard rating changes. However, two of the seven indicators have failed to move in the anticipated direction over the past month.

Exploring the impacts of AI and GenAI across industries

Continuing our examination of artificial intelligence and its potential to shape the investment landscape, we look at the specific impacts AI may have – or is already having – across a wide range of industries.

Market Insights

North American equity markets continue to push to record highs, bolstered by a promising start to the U.S. third-quarter earnings season. The results from major banks signal a healthy U.S. consumer, with spending supported by a resilient labour market, despite some softness among lower-income households. Historically, periods of declining interest rates – especially amid a “soft landing” scenario where the economy continues to grow – create favourable conditions for investment returns. Below, we discuss the potential for a more meaningful divergence in the path of interest rates in Canada and the U.S., with implications for the Canadian dollar.

Canada’s inflation report for September was released over the past week, and it decelerated more than expected, with the overall Consumer Price Index (CPI) dipping below the Bank of Canada’s (BoC) 2% target for the first time since early 2021. Falling gasoline prices contributed to much of the decline, so the “core” inflation measure, which removes more volatile categories such as energy and food, held steady above 2%. Meanwhile, housing-related categories remained the largest contributors to inflation, but mortgage interest costs and rent pressures also continued to recede from high levels. Also encouraging, the breadth of inflation narrowed further towards pre-pandemic norms, suggesting that an increasing amount of every-day goods and services are seeing less intense pricing pressures.

In recent months, the Bank of Canada has telegraphed a shift in its priorities. More specifically, it is increasingly turning its attention to ways it can better support economic growth given the declines witnessed to date with inflation. It has already cut its policy rate three times since the summer. Moreover, given recent inflation figures, markets now expect the Bank of Canada to approach its interest rate policy more aggressively. The consensus view is the Bank will cut interest rates by half a percent when it meets within the next week. And some economists, including at our firm, expect Canadian policymakers to remain aggressive heading into the end of the year and into next year. Meanwhile, U.S. economic indicators continue to be sturdier, as evidenced by the most recent retail sales figure released over the past week that suggests the consumer remains healthy. While the U.S. Federal Reserve has also started to cut interest rates and is expected to continue to do so, there may be less of a case for the kind of aggressive approach that is expected from the Bank of Canada. At some point next year, there is the potential that interest rates in Canada could sit meaningfully below interest rates in the U.S.

Interest rate differentials – the difference between short-term interest rates between countries - often influence currency flows, as funds gravitate towards higher-yielding currencies, strengthening their value relative to lower-yielding ones. In recent weeks, this trend has propelled the U.S. dollar higher against other major currencies, including the Canadian dollar. The Canadian dollar could experience further downside if the interest rate divergence between the U.S. and Canada widens, as some are predicting.

We are mindful of the risks of further downside to the Canadian dollar should interest rates meaningfully diverge. But we also see the potential over the next few years for lower interest rates to stabilize and improve the growth outlook in Canada by providing some relief to consumers and businesses. After all, the Canadian economy is sensitive to interest rates, and arguably more so than the United States. For now, we continue to view our U.S. dollar exposure in our clients' portfolios as offering important diversification and protection in today's environment.

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Your partners in wealth management

Our portfolio management team is committed to keeping you informed about the progress you are making towards your financial goals. We are always available to answer any of your questions, provide advice, or review your investment portfolio.

We appreciate the opportunity to serve you and look forward to continuing to help you accomplish your long-term financial goals.

Should you have any questions, please feel free to reach out to us.

Sincerely,

The Ravinsky Wealth Management Group

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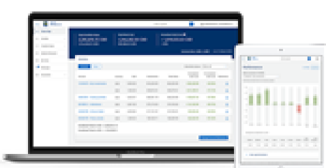
Global Insight Monthly

Perspectives from the Global Portfolio Advisory Committee

First Home Savings Account



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David Ravinsky

Alex Tsapekis

Jo-Anne MacKenzie

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