Wealth Management

Ravinsky Wealth Management Group

www.ravinskygroup.com | September 2024 Newsletter #ravinskygroup

Recent Posts

Bank of Canada cuts interest rate, hones in on downside risk

Growth in the third quarter is already looking to undershoot the BoC's July forecast. We continue to expect another rate cut in October.

Fed rate cuts on the horizon

As U.S. rate cuts near, history shows stocks often perform well after the Fed starts easing cycles.

Market Insights

A continued decline in inflationary pressures, coupled with ongoing signs of a cooling Canadian economy, prompted the Bank of Canada (BoC) to make its third consecutive interest rate cut this week. It's widely expected that the U.S. Federal Reserve will initiate its first rate cut at its next meeting later this month. Below, we discuss the state of the Canadian economy and reflect on the Canadian equity market's performance so far this year.

Canada's inflation rate has steadily declined this year, with the Consumer Price Index (CPI) falling to 2.5% year-over-year in July, marking its lowest level since March 2021. The economy grew at an annualized rate of 2.3% in the second quarter, surpassing expectations. However, the details underlying the headline number were less encouraging. A sizable portion of the growth—roughly 80%—was driven by increased government spending. For the fifth consecutive quarter, per-capita growth declined, unable to keep pace with Canada's population growth.

The Canadian labour market also offers a mixed picture. While the unemployment rate held steady at 6.4% in July, it has risen almost one percentage point from the same time last year. However, this uptick is more a reflection of slower hiring than widespread job losses. Newcomers to Canada and young workers are bearing the brunt of this slowdown, with unemployment rates among these groups at much higher levels of 12.6% and 14.2%, respectively.

Canadian households continue to face a formidable challenge: a wave of mortgage refinancings. Many homeowners secured ultra-low mortgage rates during the pandemic and are now seeing their fixed-rate terms expire, with a considerable number of renewals still on the horizon. RBC Economics has estimated that approximately 25% of all existing mortgages will reset in 2025, and a third will follow in 2026. While a decline in interest rates can help, some analysts predict mortgage payments could rise between 20% to 40% depending on the extent of rate cuts, creating a drag on consumer spending as households grapple with higher borrowing costs.

Despite a relatively weak economy, Canadian equities have performed well. This underscores the point that stock markets can sometimes reflect a different picture than the economic reality. Markets tend to be forward looking, with prices reflecting expectations of the future trajectory of company earnings. In contrast, economic data tells us what has already happened.

Global Insight Monthly

Perspectives from the Global Portfolio Advisory Committee

The Canadian stock market's strength this year can be partially attributed to the anticipation of rate cuts by the BoC, which should eventually provide relief to both Canadian consumers and businesses. This has helped the performance of rate-sensitive sectors like Financials, Consumer, Utilities, and Real Estate. The market has also been buoyed by strong performance across other sectors like Materials and Energy. Materials have been driven higher by record high gold prices, which are partly the result of central banks' efforts to diversify their reserves. Meanwhile, the Energy sector has benefited from disciplined capital allocation across the industry despite the ups and downs witnessed with oil prices this year.

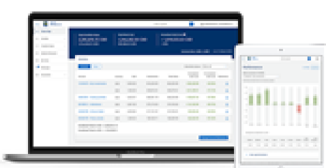
We consider Canada's stock market to be fairly valued, meaning it is neither expensive nor cheap. The performance of the stock market to date is encouraging as it has come in the face of economic challenges that may persist for some time to come. Nevertheless, the rate cuts that are well under way should eventually serve as an offset to the hikes implemented just a few years ago and potentially lead to a more durable period of growth at some point in the future.

First Home Savings Account

First Home Savings Account (FHSA)

Helping your kids with a down payment? The FHSA is a great way to give them a boost with their first house while keeping your own financial plans intact.

Click here or contact us to learn more.



Online Services

Register for Online Access

Enroll in RBC Wealth Management Online to access your account information, send and receive secure messages from us, and much more. **Click here** to enroll for online access.

Once online, you can switch to paperless eDocuments to reduce your paperwork and safely view your account documents online. **Click here** to learn how to get started.

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

David Ravinsky

Alex Tsapekis

Jo-Anne MacKenzie

Refer your friends & family!

A simple way to connect us with your loved ones who are working toward their financial goals.

Disclaimer