Wealth Management
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AUGUST ’23 EDITION

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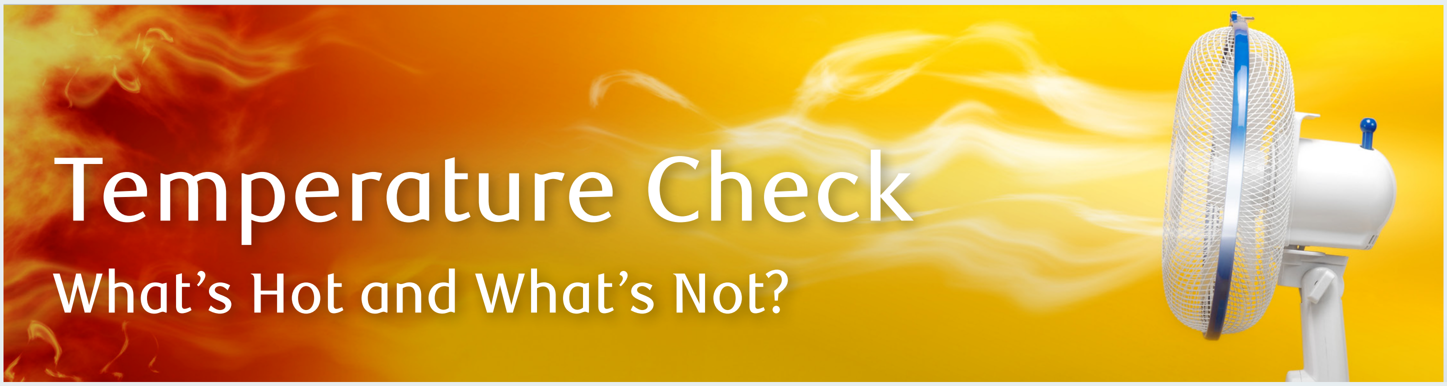

Temperature Check

What’s Hot and What’s Not?

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AUGUST MARKET UPDATE

We are now reaching the midpoint of summer, and hopefully everyone has found a way to enjoy some time off with their family and friends. Whether it is up at the cottage or away or vacation, August is usually a month where less attention is paid to the markets and investments (as there are much more fun and relaxing things to do for most people!) In that spirit, we'll try to keep this month's commentary brief so you can get back to enjoying your downtime along with the summer heat!

This month we are going to pull out the thermometer to determine which market themes are heating up alongside the weather, and which ones are cooling off. Let's start with the coldest and heat our way up!

FREEZING COLD: WALL STREET ANALYSTS AND THEIR 2023 TARGETS

Back in January, the S&P 500 had just finished closing 2022 at a level of 3839.50 after a very difficult year. Analysts from the big Wall Street firms were then tasked with the job of determining where markets will go over the next 12 months, so they released their 2023 year-end S&P 500 price targets (details on chart). As of July 31st, the index closed at 4,588.96 (up 19.52% YTD). That level was already higher than all but 1 prediction made in January for the entire year (credit to Fundstrat's Tom Lee). As of July, many of the same analysts have now adjusted their year-end targets upward and admitted they were previously too conservative or bearish. There are still

S&P 500 Year-End Price Targets
Majority of Wall Street firms have revised upwards their estimates for 2023

Firms	As of January	As of July
Bank of America	4,000	4,300
BMO	4,300	4,550
Barclays	3,725	4,150
BNP Paribas	3,400	3,400
Cantor Fitzgerald	4,100	3,500
Citigroup	4,000	4,000
Credit Suisse	4,050	4,700
Deutsche Bank	4,500	4,500
Evercore ISI	4,150	4,450
Fundstrat	4,750	4,825
Goldman Sachs	4,000	4,500
HSBC	4,000	4,600
JPMorgan	4,200	4,200
Morgan Stanley	3,900	3,900
Ned Davis Research	4,300	4,500
Oppenheimer	4,400	4,400
Piper Sandler*	3,225	3,700
RBC Capital Markets	4,100	4,250
Scotiabank	3,900	4,200
Societe Generale	3,800	4,300
22V Research	4,100	4,600
UBS	3,900	3,900
Wells Fargo	4,200	4,200

Source: Data from firms compiled by Bloomberg
Note: *Estimate reflects midpoint of 3,600 to 3,800 forecast range
Bloomberg Opinion

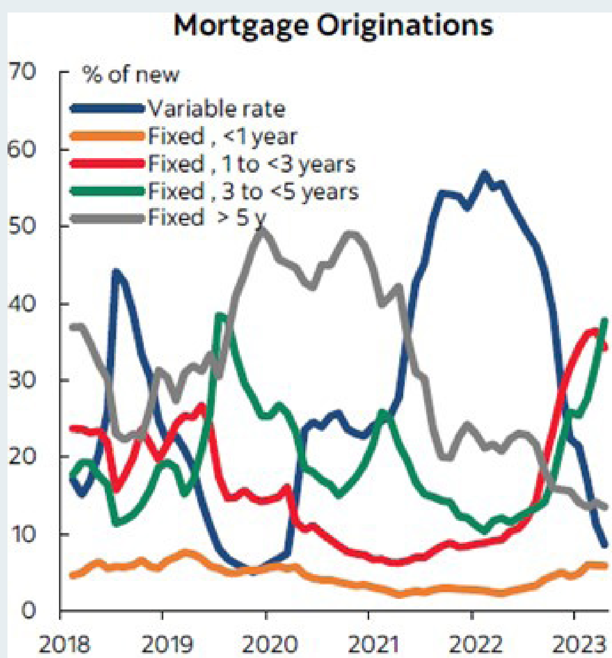
5 months left to go of course (so anything could happen), however the main takeaway here is that **consensus opinion is often wrong, and sometimes dramatically so.** The secondary takeaway? Predicting the short-term future of the stock market is very hard! Even for the ones paid handsomely to do it. On the plus side, these analysts (and the subsequent media attention given to the biggest "Bears" on the Street) helped create the "Wall of Worry" to push the stock market higher the past several months.

COOLING: INFLATION (CPI)

This has been THE story in markets for the past year, and we have touched on it many times in previous newsletters. The annual U.S. CPI moving from 9.1% YoY in June 2022 to 3.0% YoY in June 2023 has been a major reason that investor confidence has returned, and it obviously fits nicely in the "Cooling" category. However, getting this CPI number below 3% is going to be tougher in the coming months, though it is possible. Shelter costs make up over 1/3 of the entire CPI, and the current situation in housing is notoriously slow at showing up in the inflation data (known as a lagging effect). That softer data could finally start to show in the back half of 2023 and may be enough to push inflation further down. Rising energy prices may pose a problem, but that sector is only 7% of the CPI basket (gasoline by itself is less than 3.5%). So, although gas prices get a lot of media attention, they are not affecting inflation numbers as much as you may think.

SIMMERING:
1) Interest Rates &
2) Desire for Fixed-rate mortgages

The Bank of Canada and the Federal Reserve in the U.S. are likely near the end of their rate hiking cycle.. but they haven't turned off the burners entirely just yet. They've just set them to simmer so they can cook for a while. On the topic of higher interest rates: check out this interesting chart showing Canadians piling into short-term (under 5 year) Fixed Rate mortgages recently. While these mortgages can come with a higher posted rate than the 5-year Fixed or Variable, they offer the cost certainty that many homeowners are craving, while not locking them in for the usual term. A stark difference from 2 years ago, when



Sources: Scotiabank Economics, Bank of Canada.

you could get a 5-year Fixed mortgage for under 2.00%... yet a majority of Canadians chose Variable (floating-rate) mortgages, right before interest rates started to rise significantly. Time will tell how this current trend works out.

BOILING HOT: THE NASDAQ AND S&P 500

As of writing, the tech-heavy NASDAQ is up over 33% YTD. The broad-based S&P 500 is up over 17% in the first 7 months of this year, and almost 30% up from its October bottom. Boiling Hot! In 2022, both indexes would have been stuck in the Freezing Cold section, but what a difference a year makes! There are a couple important reminders that 2022 and 2023 have provided we would like to highlight.

Reminder #1: Both declines and rallies in the stock market can move very quickly, and at a larger magnitude than expected.

Reminder #2: Missing out on an upside rally can be just as damaging to your long-term returns as staying invested during a correction. Anyone who was out of the market and holding cash during the recent rally will never get that opportunity back.

Even if losses may be felt more emotionally than gains, they are equal when it comes to your portfolio. **Neither fear nor greed should ever guide your investment strategy.** A couple behavioural tips to help with this: Avoid chasing the hot trendy sectors with new money after they have run up significantly; and don't be afraid to take some profits on the companies you still want to own long-term to manage your risk. Today's "Boiling Hot" could become "Freezing Cold" before you know it.

Enjoy the rest of the summer!

SLOWING THE SANDS OF TIME CAN BE COSTLY

One of the most critical expenses to prepare for as individuals enter the later life stages is **the additional costs of aging.** This article from RBC Insights' Family finances section covers Five health care costs to consider in your financial and retirement plans. We have a number of clients who have incorporated the costs of care of aging parents into their financial plans.

It cannot be overstated how important it is to plan for these potential additional costs for both your family and yourself. It is not always a pleasant conversation to have, but **proper planning far outweighs creating an undue emotional or financial burden on your loved ones.** Our team prides ourselves on being able to deliver comprehensive and complementary financial plans to our clients. If you have never done a financial plan with us or would like to update one you have already done, please reach out to us and we would be happy to start the process.

JOHN'S ON THE MEND

As some of you know by now, John was in a serious accident back in June. While commuting to work on his electric scooter, he lost control and was thrown onto the road. He sustained a significant break in his arm and tear in his left elbow, along with a collection of scrapes and bruises across his body.

Later in June, John had surgery to repair his arm and has been recovering ever since. For all the discomfort he has been in, John has kept his spirits high and is still doing his best to enjoy the summer. He has also remained very involved with our team and the work we do for our clients. We hope you will join the whole team at RBC in wishing John continued speedy recovery.

AS ALWAYS, PLEASE REACH OUT TO US DIRECTLY IF YOU HAVE ANY QUESTIONS OR CONCERNS RELATED TO YOUR PORTFOLIO.

ORD PRIVATE WEALTH MANAGEMENT

Best regards, John, David, Tim, Liam & Mikail

Respecting your privacy and preferences for electronic communications is important to us. If you would prefer not to receive emails from me, please reply with "UNSUBSCRIBE" in the subject line or body of the email. If you would also prefer not to receive emails from our firm, please cc: **unsubscribeRBCDominionSecurities@rbc.com** in your reply. Please note that you will continue to receive messages related to transactions or services that we provide to you. To speak to us about how your preferences are managed, **please email: contactRBCDominionSecurities@rbc.com**.