

October in Review

Following two months of declines, stocks rebounded impressively in October. Investors found reasons for optimism, anticipating the possibility that central banks may ease the pace of monetary tightening as earlier rate hikes begin to impact the economy. Interest rate hikes occurred in Canada and the Eurozone, although in Canada the increase was less than had been expected. Canadian stocks ended October up 5.57%, regaining almost all of the losses of the previous two months. The Canadian market was aided by rising oil prices, although partially offset by declining metals prices. U.S. stocks gained 8.10% in U.S. dollar terms with broad gains and all eleven S&P 500 sectors in positive territory. Canadian bonds lost 1.00% during the month as interest rates continued to move higher. Emerging Market equities were down again, lower by 3.09%, driven by poor performance in China, which was partially offset by solid gains in India.

Here are some of October's most notable events:

Soaring inflation continues to be a concern. U.S. headline September inflation was 8.2% on a year-over-year basis, down from the peak of 9.0% in June as energy prices pulled back. However, core inflation, which excludes volatile energy and food prices, remains stubbornly high, with prices up 8.2% from the same period last year. This is the highest level of core inflation in decades, due to significant increases in the prices of shelter, transportation and medical care services. The U.S. Federal Reserve later increased interest rates, as part of its ongoing attempt to combat this high inflation regime.

U.K. politics unusually volatile. Prime Minister Liz Truss resigned in October after only 45 days in office, making her the shortest-serving prime minister in the history of the country. This follows a tumultuous tenure that included a financial crisis after her administration announced a controversial new economic agenda of tax cuts and spending worth tens of billions of pounds funded by borrowing. The plan was very unpopular, driving down the value of the pound as well as government bonds, requiring an intervention by the Bank of England. Tremors were felt across the British economy, the fifth largest in the world.

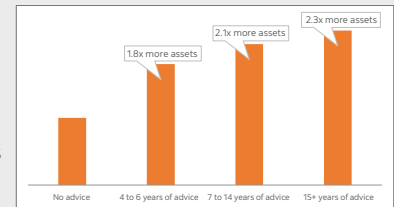
OPEC+ announced an oil production cut. The oil cartel announced a plan to reduce production by as much as two million barrels per day. This was an attempt to shore up oil prices after they dropped to roughly \$80 per barrel from \$120 in early June, based on growing fears of a global recession. Prices rebounded to \$93 per barrel since the OPEC+ announcement. The cut is significant, but many OPEC+ countries are already producing below their quotas, so the actual impact may be muted. The production cut is coming despite lobbying efforts by the U.S. government, which in turn is releasing oil from the Strategic Petroleum Reserve to lower gas prices for American consumers.

Did you know?

Research has shown that households working with a financial advisor accumulate more assets than those that don't – and the longer they work with an advisor, the more their savings will grow.

Let's take a closer look at this research: Versus non-advised households, the average household with a financial advisor accumulated:

- 1.8 times more financial assets over 4 to 6 years
- 2.1 times more assets over 7 to 14 years
- 2.3 times more assets over periods greater than 15 years



Source: More on the Value of Financial Advisors, Claude Montmarquette, Alexandre Prud'Homme, CIRANO 2020.

| INDEX† | 1 Mth | Change (%) YTD | 1 Yr | Index Level |
|--|-------|----------------|--------|-------------|
| Treasury Bill (FTSE Canada 60 Day T-Bill) | 0.30 | 1.08 | 1.10 | 168 |
| Bonds (FTSE Canada Universe Bond) | -1.00 | -12.66 | -10.43 | 1,040 |
| Canadian Equities (S&P/TSX Composite) | 5.57 | -6.11 | -4.78 | 19,426 |
| U.S. Equities (S&P 500, US\$) | 8.10 | -17.72 | -14.63 | 3,872 |
| Global Equities (MSCI World, US\$) | 7.21 | -19.72 | -18.07 | 2,548 |
| Emerging Markets (MSCI Emerging Markets, US\$) | -3.09 | -29.22 | -30.77 | 848 |

| CURRENCIES† | 1 Mth | Change (%) YTD | 1 Yr | Exchange Rate |
|-------------|-------|----------------|-------|---------------|
| C\$/US\$ | 1.51 | -7.23 | -9.08 | 0.73 |
| C\$/Euro | 0.69 | 6.80 | 6.36 | 0.74 |
| C\$/Pound | -1.16 | 9.53 | 8.55 | 0.64 |
| C\$/Yen | 4.24 | 19.80 | 18.68 | 109.11 |

| COMMODITIES (US\$)† | 1 Mth | Change (%) YTD | 1 Yr | Price |
|------------------------|--------|----------------|-------|-------|
| Gold Spot (\$/oz) | -1.87 | -10.88 | -8.56 | 1,641 |
| Oil WTI (\$/barrel) | 9.92 | 23.92 | 21.31 | 86.53 |
| Natural Gas (\$/MMBtu) | -10.05 | 59.55 | 47.55 | 6.36 |

† Total Return, as at October 31, 2022. Indices are quoted in their local currency. Source: Bloomberg

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