MONTHLY

InvestmentMonitor

JANUARY 2023

December in Review

Stocks reversed course in December, declining after rallying in the previous two months. While central banks have slowed the pace of monetary tightening, there are continuing concerns about continuing inflation as well as an economic slowdown in 2023. Canadian stocks ended December down 4.89%, ending the year down 5.75%. The Canadian market was impacted by declining energy prices and declines in all eleven TSX sectors. U.S. stocks dropped 5.77% in U.S. dollar terms, down 18.13% for the full year. All eleven S&P 500 sectors were negative in the month. Canadian bonds dipped 1.65% during December as central bankers continued their promise to raise interest rates and bring down inflation in 2023. Emerging Market equities also declined, down 1.51%, driven by weak performance in South Korea and Japan.

Here are some of December's most notable events:

The economy is proving to be resilient. Recent economic performance was stronger than expected in both Canada and the U.S. In Canada annualized 3Q22 GDP growth was 2.9%, nearly double consensus estimates of 1.5%. The increase was supported by strength in exports (+8.6%) and government spending (+5.3%) but offset slightly by weakness in consumer spending (-1.0%). In the U.S. jobs data shows continued strength in the labour market, with non-farm payrolls increasing by 263,000 in November, above expectations of 200,000. Furthermore, U.S. consumer confidence increased unexpectedly in December, after declines in the previous two months.

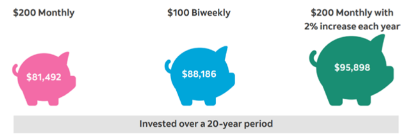
Central banks are slowing the pace of rate hikes as inflation begins to cool. After rapidly raising interest rates throughout the year there are signs that major central banks are slowing the pace of tightening. In the U.S., the Federal Reserve raised policy rates by only 50 basis points in December, after hikes of 75 basis points at its previous four meetings. The European Central Bank also raised its main lending rate by 50 basis points in December, as did the Bank of England, but these were smaller hikes than recent months. Inflation seems to have peaked in the summer and has been declining in recent months. However, central banks remain vigilant, and have promised to continue policy tightening until inflation is under control.

Ending zero-COVID policy brings opportunities and challenges in China. After a lengthy period of lockdowns intended to prevent COVID infections, the Chinese government has abandoned much of the restrictions. This policy shift is opening up the economy and should help boost economic growth. However, since the country ended the lockdowns, mass testing and domestic-travel restrictions, infections have taken off at a rapid pace. The population is generally under-vaccinated, and hospitals are filling up with the sick. While it is hard to estimate the death toll, some estimates suggest 37 million Chinese people are becoming infected each day.

Did you know?

It's always a good idea to revisit regular contributions as financial circumstances change – especially after major milestones, like paying off student debt or landing a promotion. While it may be tempting to set it and forget it, you might be surprised to see just how much savings could grow by increasing contributions – even by a little bit.

Take a look below at the various approaches to saving regularly with a PAC over a 20-year period. Instead of contributing monthly, consider a biweekly schedule and save even more. It's a small change, but the benefits can add up. Increase contributions annually and those savings could grow even more.



For illustrative purposes only. Assumes a 5% rate of return and is not intended to reflect actual rates of return or reflect the returns or future value of an actual mutual fund or any other investment. Compounding simulation is used to demonstrate the effects of compound growth on a fixed monthly contribution over various periods of time. Excludes any applicable taxes, fees, the impact of inflation and based on current dollars.

INDEX†	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.31	1.71	1.71	169
Bonds (FTSE Canada Universe Bond)	-1.65	-11.69	-11.69	1,051
Canadian Equities (S&P/TSX Composite)	-4.89	-5.75	-5.75	19,385
U.S. Equities (S&P 500, US$)	-5.77	-18.13	-18.13	3,840
Global Equities (MSCI World, US$)	-4.21	-17.71	-17.71	2,603
Emerging Markets (MSCI Emerging Markets, US$)	-1.51	-19.94	-19.94	956
CURRENCIES†	**1 Mth**	**Change (%) YTD**	**1 Yr**	**Exchange Rate**
C$/US$	-1.05	-6.75	-6.75	0.74
C$/Euro	-3.77	-0.86	-0.86	0.69
C$/Pound	-1.33	4.38	4.38	0.61
C$/Yen	-6.01	6.24	6.24	96.76
COMMODITIES (US$)†	**1 Mth**	**Change (%) YTD**	**1 Yr**	**Price**
Gold Spot ($/oz)	3.77	-0.96	-0.96	1,826
Oil WTI ($/barrel)	-0.50	16.72	16.72	80.26
Natural Gas ($/MMBtu)	-34.36	12.44	12.44	4.48

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

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