NATIONAL BANK FINANCIAL WEALTH MANAGEMENT

R HUNTER | WEALTH MANAGEMENT GROUP

Market Update April 2023

The stock market is rallying so far this year.

TSX (Canada broad market)	+4.6%
SPX (U.S broad market)	+7.4%
Nasdaq (tech laden index)	+16.4%

That may seem unusual given current geopolitics, some recent American banking issues, budgets and an apparent end to a long period of globalization. I believe that the market is anticipating that interest rates have likely crested or are close to it. Perhaps too, the U.S. Federal Reserve will be less hawkish as inflation falls.

Here in Canada, inflation has been dropping for nine months to about 5.2%. The forecast for mid-year is 4.8%.

This isn't the 2% that central bankers wanted but things are moving in the right direction.

Volatility day-to-day might best be explained by fickle unbalance between hope that interest rate hikes are near over, and the reality that they are starting to slow parts of the economy.

The yield curve remains inverted and it has been for months. This is when short-term interest rates are higher than long-term rates. Historically, this is a very strong technical indicator for recession as liquidity becomes tighter and we stop spending and/or borrowing as much as consumers.

From an investment perspective, we have been busy planning for the worst while hoping for the best. We have been selling long calls out to next year to maximize income in portfolios and have shifted new capital investment largely to income paying securities with larger weightings to Canadian banks, energy infrastructure and utilities, while maintaining exposure to technology. I don't think it is a 'risk off' market, but rather balanced to more caution for the time being.

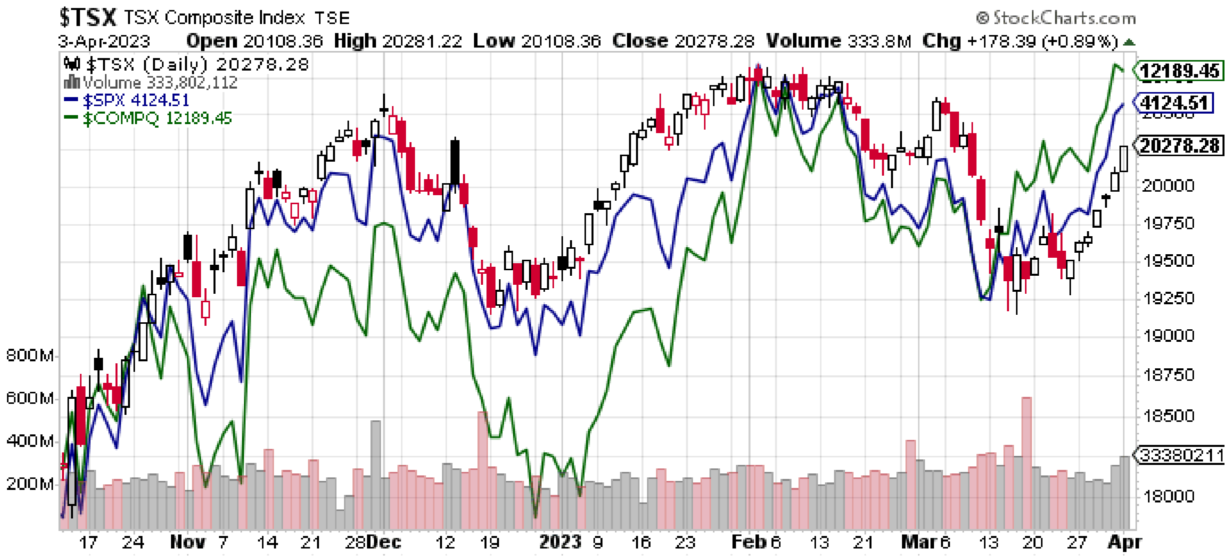
It is the technology laden Nasdaq index which is leading the market year-to-date.

While technology typically trades down with rising interest rates, it historically rallies with anticipated lower interest rates.

I am not concerned about the recent banking issues in the U.S. The American market has over 600 publicly listed financials and there have been problems in few. Our banking sector of choice remains Canada with 6 regulated banks, who haven't cut a dividend in 100 years and offer great capitalization.

Energy companies have been cleaning up their balance sheets, reducing debt, buying back their stock and raising their dividends. While pricing has fallen more recently, particularly in natural gas which is looking oversold, we are at an end to the seasonal strength that comes with winter.

This chart captures the rally in Canada (red), the SPX - U.S. broad market (blue) and the tech heavy Nasdaq (green).



I have prepared this commentary to give you my thoughts on various investment alternatives and considerations which may be relevant to your portfolio. This commentary reflects my opinions alone and may not reflect the views of National Bank Financial Group. In expressing these opinions, I bring my best judgment and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of my informed opinions rather than analyses produced by the Research Department of National Bank Financial.

Best,

National Bank Financial

Rob Hunter
Senior Wealth Advisor

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