Market Update **October 2024**

History suggests that the S&P 500 (SPX) has historically grown +16% in the first twelve months following the first interest rate cut in a new cycle. It had been four years since the Federal Reserve (FED) cut interest rates in the U.S. prior to the recent 0.50% point cut.

So far this year, the Bank of Canada (BOC) has reduced interest rates 0.75% starting in June while the FED has reduced 0.50% starting last month. Strategists suggest that we can expect further interest rate cuts in the U.S. and in Canada.

The recent change in direction might best be explained by economic data providing hints of an economy that was slowing, which was the reason for hiking interest rates in the first place to combat inflation. The trick for central bankers is to start easing interest rates prior to the economy slipping into recession which seemed more likely in Canada than the U.S.

Remember that interest rate cuts have a lagging impact, typically not felt fully in the economy for 12-16 months.

September/October are historically the worst two months for the stock market, but that certainly hasn't been the case so far this year despite volatility which came as early as August after July market highs.

Inverted yield curves are historically a sign of a pending credit crunch/recession but both two and ten-year yield curves are no longer inverted, though they had been since 2022.

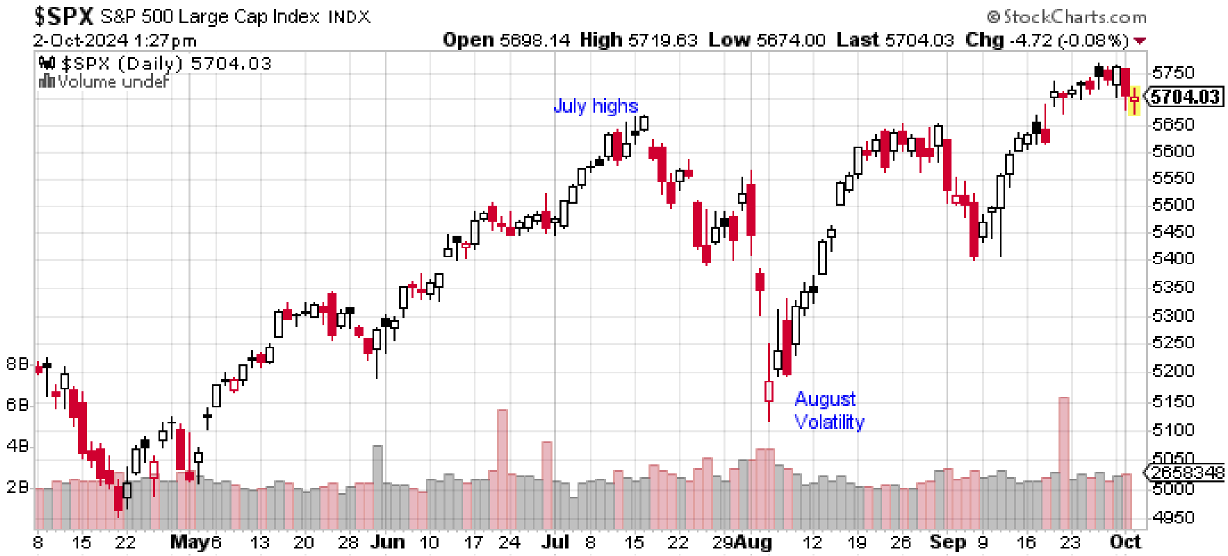
The U.S. election is coming up early next month but I doubt it will have much impact on markets unless their was a sweep, resulting in significant policy change. Otherwise, I believe a divided America will result in more or less continued policy gridlock until potentially mid-terms.

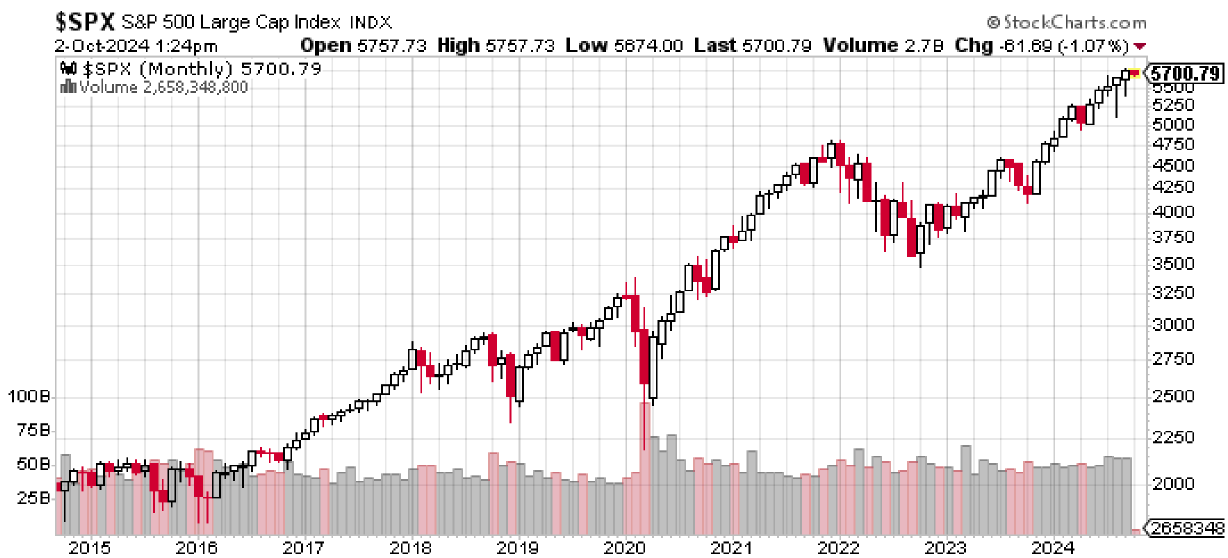
Here we are at market highs despite politics, geo-political risk from Russia and the Middle East and it reminds me of a saying… *"The stock market is built on bad news"* Put another way, the market continues despite apparent bad news and despite a history of short-term instances where it…*reacted*.

Market Indices YTD at September 30th…

TSX (Canada broad market)	14.51%
SPX (U.S. broad market)	20.81%
Nasdaq (U.S. tech weighted market)	21.11%

Here is a look at the broad-based S&P 500 market both short and longer term…





It is nice to see the broader market participating where earlier in the year, it was driven primarily by technology. The U.S. remains the most resilient market lead by technology, financials, industrials and energy.

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If you have any questions, we are a phone call away.

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

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