



**HARBOURFRONT**  
WEALTH MANAGEMENT

**WATERMARK  
PRIVATE PORTFOLIOS**

**MARCH 2024 COMMENTARY**



**TRUE INDEPENDENCE™**

# Market Review in Minutes

## Equities

- The S&P 500 in Canadian dollars and the S&P/TSX Composite both posted positive returns in March, resulting in a 2.95% and 4.14% gain, respectively.
- **Leaders:** The energy and materials sectors outperformed other sectors this month; thus, lifting the commodity-heavy S&P/TSX Composite higher than the S&P 500:
  - The S&P 500 Energy sector rose 10.43% this month, comprised of the top US energy companies, such as Exxon Mobil, Chevron, ConocoPhillips, and Schlumberger.
  - The S&P/TSX Composite Energy sector posted a gain of 8.37% this month, comprised of Canadian energy companies such as Canadian Natural Resources, Suncor, Imperial Oil, and Cenovus.
  - The S&P 500 Materials Sector Index increased by 6.22% and the S&P/TSX Capped Materials posted a 15.05% gain for the month.
  - The S&P/TSX Composite, which comprises of 29% in energy and materials combined, outperformed the large cap US equity market because of its higher exposure to commodities vs the tech-heavy S&P 500, which only has 6.3% in energy and materials.
- **Laggards:** In the USA, the consumer discretionary sector was the underperformer and was weighed down by the automobiles. In Canada, the communication services sector, comprising of BCE Inc, Rogers Communications, and TELUS Corporation, had lagged against the other sectors within the S&P/TSX Composite.
- Outside of Canada and USA, the equity market posted its second consecutive monthly gain.

## Fixed Income

- The US Federal Reserve released its Summary of Economic Projections, which supported the expectations of three rate cuts in 2024 beginning June. As a result, the 10-year US Treasury fell. By the end of the month, all US Treasury yields, from short to long-term maturities, declined; thus, resulting in higher bond prices.
- The Canadian Universe Bond rose by 0.49% in March as yields fell during the month.

As at March 31, 2024	Monthly % Total Return	YTD % Total Return
<b>Canadian Bonds</b> <i>FTSE Canada Universe Bond Index</i>	0.49%	-1.22%
<b>Canadian Equities</b> <i>S&amp;P/TSX Composite Index</i>	4.14%	6.62%
<b>US Equities</b> S&P 500, in C\$	2.95%	13.34%
<b>Gold</b>	8.94%	8.04%
<b>Oil</b> <i>West Texas Intermediate Crude</i>	6.27%	16.08%
<b>Canadian Dollar</b>	0.14%	-2.25%

# Market Review in Minutes (Continued)

## Commodities

- Crude oil finished strong with its third consecutive gain of 6.27% in March, ending at about \$83. Oil prices remained supported by ongoing geopolitical tensions in Europe. In addition, Russia announced a policy to reduce oil output by companies to ensure that it meets a production target of 9 million barrels per day (bpd) by June (down from its oil output of 9.5 million bpd late February).
- Gold commodity broke out to its all-time high in March and ended the month at \$2238.40.
- The US Dollar depreciated by 0.14% against the Canadian Dollar in March.

As at March 31, 2024	Monthly % Total Return	YTD % Total Return
<b>Canadian Bonds</b> <i>FTSE Canada Universe Bond Index</i>	0.49%	-1.22%
<b>Canadian Equities</b> <i>S&amp;P/TSX Composite Index</i>	4.14%	6.62%
<b>US Equities</b> <i>S&amp;P 500, in C\$</i>	2.95%	13.34%
<b>Gold</b>	8.94%	8.04%
<b>Oil</b> <i>West Texas Intermediate Crude</i>	6.27%	16.08%
<b>Canadian Dollar</b>	0.14%	-2.25%

# Notable Monthly Highlights

## USA – The US Federal Reserve held its target policy range at 5.25% to 5.50%

- As the USA exhibits economic growth, the US Federal Reserve left the policy unchanged and reiterates it will likely keep the target range until it has “gained greater confidence that inflation is moving sustainably toward 2 percent.” The US Federal Reserve will continue to be data dependent and monitor key economic developments in the labour market, inflation, and consumer expenditures:
  - Labour market remained resilient as it expanded by an average of 265K jobs (SAAR) in the past three months through February.
  - The closely followed headline figure for CPI inflation print was higher at 3.2% YoY in February vs the market expectations of 3.1% and the core inflation was also higher than expected at 3.8% in February vs the 3.7% expected.
  - A gauge that is closely monitored by the US Federal Reserve in determining monetary policy is the core personal consumption expenditures (PCE) price change as consumer spending accounts for about two-thirds of domestic spending in the USA. The core PCE, which excludes volatile food and energy prices, came in below expectations at 0.3% vs the 0.4% consensus in February, which was “more in the lines of what the [US Federal Reserve] want to see.”

## Canada – The Bank of Canada maintained its overnight policy rate at 5%

- There was no surprise that the Bank of Canada (BOC) held its policy rate at 5% as concerns about persistent inflation remain intact. The Bank of Canada will continue to monitor economic conditions but it is faced with tough decisions as key indicators came in mixed:
  - In February, Canada’s CPI headline inflation print came in lower than consensus, growing 0.3% MoM vs the expected 0.6% increase. It came in at 2.8% YoY, which was significantly lower than the consensus of 3.1%. It is clear that the BOC policy has been working to ease and combat inflation.
  - However, strong economic activity from spending and GDP have kept the Bank of Canada from cutting rates too soon:
    - Retail sales fell by 0.3% in January but fell less than the expected -0.4% print.
    - Canada’s GDP was robust in January as it rose by 0.6% MoM, beating most economic expectations.

# Notable Monthly Highlights (Continued)

## World – China maintains its current benchmark lending rates as expected and Japan sees its very first rate hike in 17 years

- Although China has seen some improvement in its economic activity (its industrial output and retail sales both beating expectations), the property market is still a major concern in China. Like Canada and USA, China has kept its benchmark lending rates unchanged.
- Persistent inflation in Japan has led to a historic move as Japan hiked its interest rate for the first time in 17 years, now making the entire world all in positive interest rate territory.

# Watermark Private Portfolios Outlook and Positioning

We continue to monitor the valuations of major economies. In the USA, we believe that the S&P 500 is still in slightly overvalued territory and a short-term to mid-term pullback is warranted. Specifically, we think that the technology sector, which comprises a large portion of the S&P 500, may pullback. Once the market sees a pullback to a more attractive price level, we are ready to deploy a portion of the portfolio back into equities.

	Underweight	Target	Overweight	February 2024	March 2024
Equities		●		Public equities have risen for the fourth month in a row, again largely driven by the run up in technology stocks and positive earnings beat. We continue to believe that valuation and sentiment has been lifted and that a short/mid-term pullback will likely occur as market participants anticipate key economic data releases and US Federal Reserve announcement in the upcoming weeks.	Public equities have risen again this month as all US sectors posted positive gains and contributed to the rise in the US large cap index. We continue to believe that valuation and sentiment have been lifted and that a short/mid-term pullback is warranted in order to reduce the overbought or bullish sentiment. In addition, the risks of persistent inflation, geopolitical risks, and a deep inverted yield curve are still present.
Fixed Income	●			No changes. We have left our public fixed income weighting unchanged. Although we continue to believe that rates have peaked and that the Bank of Canada is likely done raising rates, we continue to be in the camp of persistent inflation and that interest rate cuts are likely to occur later in the year. We don't foresee a rate cut in April.	No changes. We have left our public fixed income weighting unchanged. Although we continue to believe that rates have peaked and that the Bank of Canada is likely done raising rates, we continue to be in the camp of persistent inflation and that interest rate cuts are likely to occur later in the year. Given the mixed economic data, we don't foresee a rate cut in April.
Private Credit		●		No changes. We are maintaining our long-term allocation to private credit as we still believe that increased regulation and the tightening of bank lending conditions are pushing borrowers to look for alternative options, specifically private market lenders.	No changes. We are maintaining our long-term allocation to private credit as we still believe that increased regulation and the tightening of bank lending conditions are pushing borrowers to look for alternative options, specifically private market lenders.
Private Real Estate		●		No changes. We are maintaining a long-term allocation to private real estate as the structural supply and demand gap continues to ensue.	No changes. We are maintaining a long-term allocation to private real estate as Canada hits new records with its housing supply deficit.

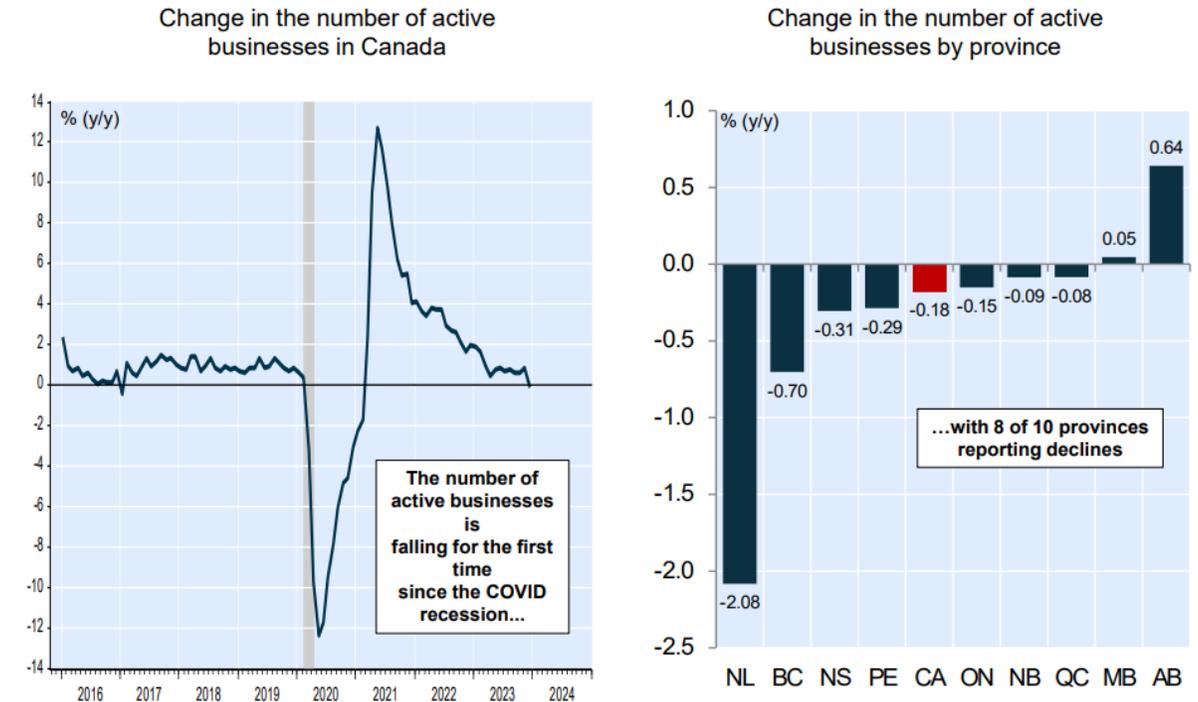
# Did You Know?

As seen on the left chart, the number of active businesses is declining. It has officially logged its first year-over-year decline since 2020. As seen on the right chart, the number of active businesses have decreased year-over-year in 8 provinces in Canada with the exception of Alberta and Manitoba.

## Our opinion:

Although we are in the camp that inflation is persistent and that will likely keep rates higher for longer, we continue to monitor this and other key indicators to determine the urgency of the Bank of Canada to cut rates. Should the pace of the decline in active businesses and the rise in delinquencies accelerate, this may lead to the Bank of Canada cutting rates sooner than expected.

## Canada: Number of active businesses is declining



Source: NBF Economics and Strategy (data via Statistics Canada)

# Key Economic Indicators

	Inflation Rate		Interest Rate		Unemployment Rate		GDP Annual Growth Rate		Stock Market Valuation (Forward P/E)	
	Last	Chg.	Last	Chg.	Last	Chg.	Last	Chg.	Last	Chg.
<b>USA</b>	3.20%		5.50%		3.90%		3.10%		21.4	
<b>Canada</b>	2.80%		5.00%		5.80%		0.90%		14.6	
<b>China</b>	0.70%		3.45%		5.30%		5.20%		8.9	
<b>Japan</b>	2.80%		0.00%		2.60%		1.20%		16.1	
<b>United Kingdom</b>	3.40%		5.25%		3.90%		-0.20%		11.4	

Source: Trading Economics

# DISCLAIMER

*The Watermark Private Portfolios team prepared this commentary to give you their thoughts on various investment alternatives and considerations which may be relevant to your portfolio. This commentary reflects their opinions alone and may not reflect the views of Harbourfront Wealth Management. In expressing these opinions, they bring their 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 their informed opinions rather than analyses produced by Harbourfront Wealth Management Inc.*

Disclaimer – This information transmitted is intended to provide general guidance on matters of interest for the personal use of the reader who accepts full responsibility for its use and is not to be considered a definitive analysis of the law and factual situation of any particular individual or entity. As such, it should not be used as a substitute for consultation with a professional accounting, tax, legal or other professional advisor. Laws and regulations are continually changing, and their application and impact can vary widely based on the specific facts involved and will vary based on the particular situation of an individual or entity. Prior to making any decision or taking any action, you should consult with a professional advisor. The information is provided with the understanding that Harbourfront Wealth Management is not herein engaged in rendering legal, accounting, tax or other professional advice. While we have made every attempt to ensure the information contained in this document is reliable, Harbourfront Wealth Management is not responsible for any errors or omissions, or for the results obtained from the use of this information. All information is provided "as is," with no guarantee of completeness, accuracy, timeliness or as to the outcome to be obtained from the use of this information, and is without warranty of any kind, express or implied. The opinions expressed herein do not necessarily reflect those of Harbourfront Wealth Management Inc. The particulars contained herein were obtained from sources we believe to be reliable but are not guaranteed by us and may be incomplete. The opinions expressed are not to be construed as a solicitation or offer to buy or sell any securities mentioned herein. Harbourfront or any of its connected or related parties may act as financial advisor or fiscal agent for certain companies mentioned herein and may receive remuneration for its services. The comments and information pertaining to any investment products (The Portfolios) sponsored by Willoughby Asset Management are not to be construed as a public offering of securities in any jurisdiction of Canada. The offering of units of The Portfolios is made pursuant to the Offering Memorandum or Simplified Prospectus and only to investors in Canadian jurisdictions. Important information about The Portfolios is contained in the Offering Memorandum or Simplified Prospectus available through Willoughby Asset Management. Commissions, trailing commissions, management fees, performance fees and expenses all may be associated with investments in The Portfolios. Investments in The Portfolios are not guaranteed, their values change frequently, and past performance may not be repeated. Historical annual compounded total returns including changes in unit value and reinvestment of all distributions do not take into account sales, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Unit values and investment returns will fluctuate and there is no assurance that The Portfolios can maintain a specific net asset value. Harbourfront Wealth Management Inc. ("Harbourfront") has relationships with related and /or connected issuers, which may include the securities or funds discussed in this commentary and are disclosed in our Statement of Policies Regarding Related and Connected Issuers. This policy is included in your new client package, on our website, or can be obtained from your investment advisor on request.

