HARBOURFRONT
WEALTH MANAGEMENT

WATERMARK PRIVATE PORTFOLIOS

NOVEMBER 2024 COMMENTARY

Market Review in Minutes

Equities

- Equity markets ended November on a positive note as the uncertainty around the U.S. presidential election settled. The S&P 500 rose by +5.87% and with the help of the US Dollar appreciation, the S&P 500 (in CAD) was up +6.34%. The S&P/TSX Composite rose too, finishing the month up +6.37%.
- Outside of the U.S., the MSCI World Index (excluding USA) had another volatile month, but ended up closing slightly lower by 0.13% in November.
- **Leaders:** The S&P/TSX Composite outperformed the tech-focused S&P 500 in November as the equity markets broadened out, with sectors outside information technology outperforming. Notably, Nvidia, one of the most highly anticipated earnings announcements of the month, disappointed investors with cautious future revenue guidance.
  - In the U.S., the consumer discretionary sector was the strongest performing sector followed by financials and energy, which are all very cyclical/economically sensitive in nature.
  - In Canada, information technology, which represents a relatively small portion of the Canadian Index, financials, and consumer staples performed well.
- **Laggards:** In the U.S., health care and materials lagged the most. Meanwhile in Canada, materials, gold stocks, and health care were the worst performing sectors.

Fixed Income

- Global fixed income markets continue to swing on the back of economic data, expecting more interest rate cuts when data comes in weaker than expected. Alternatively, long-term interest rates continue to remain high(er) as the bond market expects governments to continue to spend, driving debt levels higher.
- The Canadian Universe Bond ended November higher by +1.68%.

As at November 30, 2024	Monthly % Total Return	YTD % Total Return
Canadian Bonds *FTSE Canada Universe Bond Index*	1.68%	4.95%
Canadian Equities *S&P/TSX Composite Index*	6.37%	25.77%
US Equities S&P 500, in C$	6.34%	35.99%
Gold	-2.48%	29.40%
Oil *West Texas Intermediate Crude*	-1.82%	-5.09%
Canadian Dollar	-0.47%	-5.96%

Market Review in Minutes (Continued)

Commodities

- Oil (WTIC) ended the month lower by 1.82%. Oil continues to be volatile around geopolitical issues in the Middle East, while awaiting U.S. policy on regulation/drilling.
- Gold logged its first loss since June this year, falling by 2.48% down to around $2,680.
- The US Dollar against the Canadian Dollar was very volatile, but ended higher by +0.48% in November.

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Notable Monthly Highlights

USA – The U.S. Federal Reserve cut by 0.25% in November and markets expect a 0.25% cut in the final meeting of the year

- U.S. economic data showed consumers are continuing to spend, some inflation indicators showing signs of easing, and the labour market is gradually cooling.
    - The trend of strong retail sales continued in October, gaining 0.4% MoM, which beat the expected 0.3% MoM gain. Sales were led by electronics and appliance stores, auto dealers, and food services.
    - The U.S. Federal Reserve's preferred measure for interest rate policy, the core personal consumption expenditures (PCE), increased by 0.3% MoM in October, which remained at the same pace as last month and was in line with consensus.
    - The Consumer Price Index moved higher to 2.6% YoY in October, which was in line with expectations; however, this was the first time it accelerated since March of this year. In addition, the core inflation rate in October remained at a three-month high of 3.3% YoY, which was unchanged from September and came in line with market expectations.
    - The unemployment rate remained unchanged at 4.1% YoY in October, in line with expectations.

Notable Monthly Highlights (Continued)

Canada – The Bank of Canada will make its final interest rate announcement on December 11

- The Bank of Canada is expected to cut rates by 0.25%, down to 3.50% in its final interest rate decision for the year:
  - Inflation remains close to the 2% target; however, in October, the Consumer Price Index moved higher for the first time in months.
  - Additionally, Canada's core inflation rate ticked up to 1.7% YoY in October, higher than the previous period and the highest level in the last three months.
  - Retail sales in September increased to 0.8% YoY, lower than the previous 1.4% YoY reading in August.
  - Canada's labour market slightly improved as the unemployment rate eased to 6.5% YoY in October, below the expected 6.6% YoY rate.

World – China held its benchmark lending rates steady

- Chinese equity markets remain volatile and ended the month lower despite economic activity, such as employment and manufacturing, slowly improving:
  - The People's Bank of China held its benchmark lending rates steady this month.
  - China's unemployment fell to 5% YoY in October, remaining unchanged from previous period, and coming in lower than the expected 5.1% YoY level.
  - After stimulating the economy in September, the Manufacturing PMI (Purchasing Manager's Index) rose to 50.3 in October, higher than the previous month and beating market expectations of 49.7.

Watermark Private Portfolios Outlook and Positioning

	Underweight	Target	Overweight	November 2024
Equities		●		• After the U.S. Presidential election settled, stocks rallied as tax cuts, deregulation, and increased government spending are expected to boost economic growth. • The U.S. market valuations are expensive and the overall impact on the stock market from initiatives ranging from tariffs, foreign affairs, and fiscal government spending, is still uncertain. • We remain overweight equities in your portfolios but have repositioned the portfolios to decrease the information technology weighting as mega-cap tech companies' earnings growth appears to be slowing. • Holding equity investments that are high quality (i.e., strong balance sheets and growing cash flows) across all sectors has benefitted your portfolios this month as the market continued to broaden out. • We continue to hold equity investments that are global in nature, have good relative valuations, and are diversified across different sectors.
Fixed Income	●			• No changes. We remain underweight fixed income, holding Brandsen Global Income Opportunities Pool, which offers several fixed income strategies thereby providing more diversification.
Private Credit	●			• No changes. Maintain our long-term allocation to private credit as it adds asset class diversification and reduced volatility to your portfolios.
Private Real Estate		●		• No changes. Long-term structural supply and demand fundamentals continue to favour private real estate as an asset class.

Changes in Portfolio Positioning Over the Past Month

In the Enhanced Conservative Plus & Enhanced Balanced Plus:

- Sold all TD Active Global Enhanced Dividend ETF.
- Bought Fidelity U S Value ETF.

In the Enhanced Growth Plus & Enhanced Maximum Growth Plus:

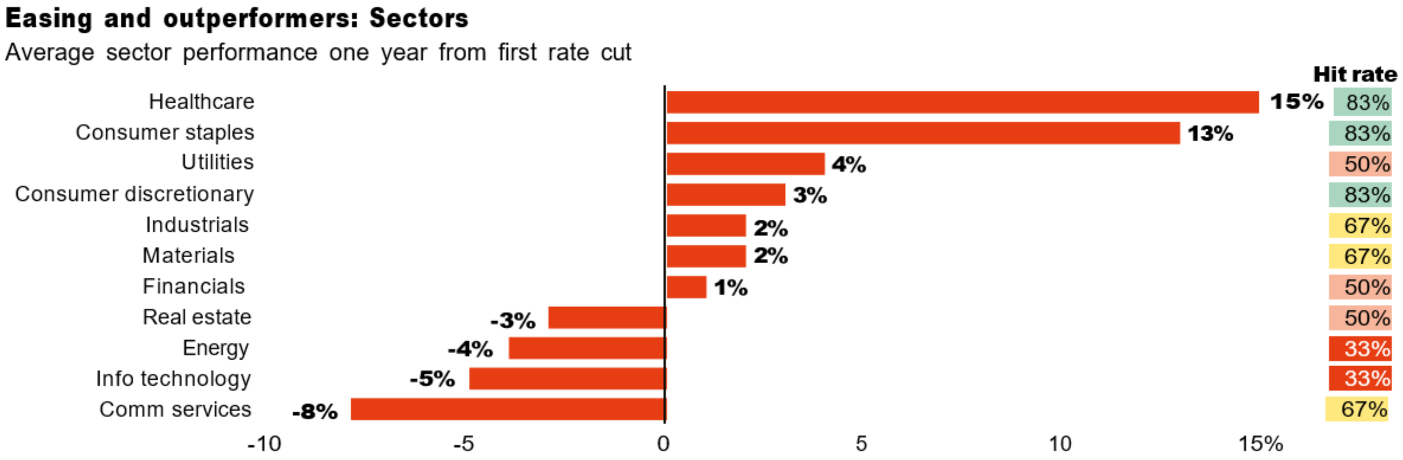
- Sold all TD Active Global Enhanced Dividend ETF.
- Bought Invesco S&P 500 Equal Weight Index ETF CAD hedged.

Did You Know?

As seen in the chart, after the first interest rate cut, Information Technology and Communication Services (i.e., Amazon, Apple, Microsoft, Nvdia, and other mega-cap technology companies) have historically had the worst average sector one year performance.

Our opinion:

We believe the markets will continue to broaden out. We have reduced the weight of Information Technology and Communication Services inside your portfolios and increased the weight to sectors that trade at more reasonable valuations.



Source: BlackRock Fundamental Equities with data from Refinitiv as of August 2024.

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.
USA	2.60%	▲	4.75%	▼	4.10%	▬	2.70%	▼	22.6	▲
Canada	2.00%	▲	3.75%	▼	6.50%	▬	0.90%	▲	16	▲
China	0.30%	▼	3.10%	▬	5.00%	▼	4.60%	▼	9.9	▼
Japan	2.30%	▼	0.25%	▬	2.50%	▲	0.30%	▲	14.1	▼
United Kingdom	2.30%	▲	4.75%	▼	4.30%	▲	1.00%	▲	11.6	▬

Source: Trading Economics

DISCLAIMER

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