THE PLAYBOOK

CI ASSANTE WEALTH MANAGEMENT

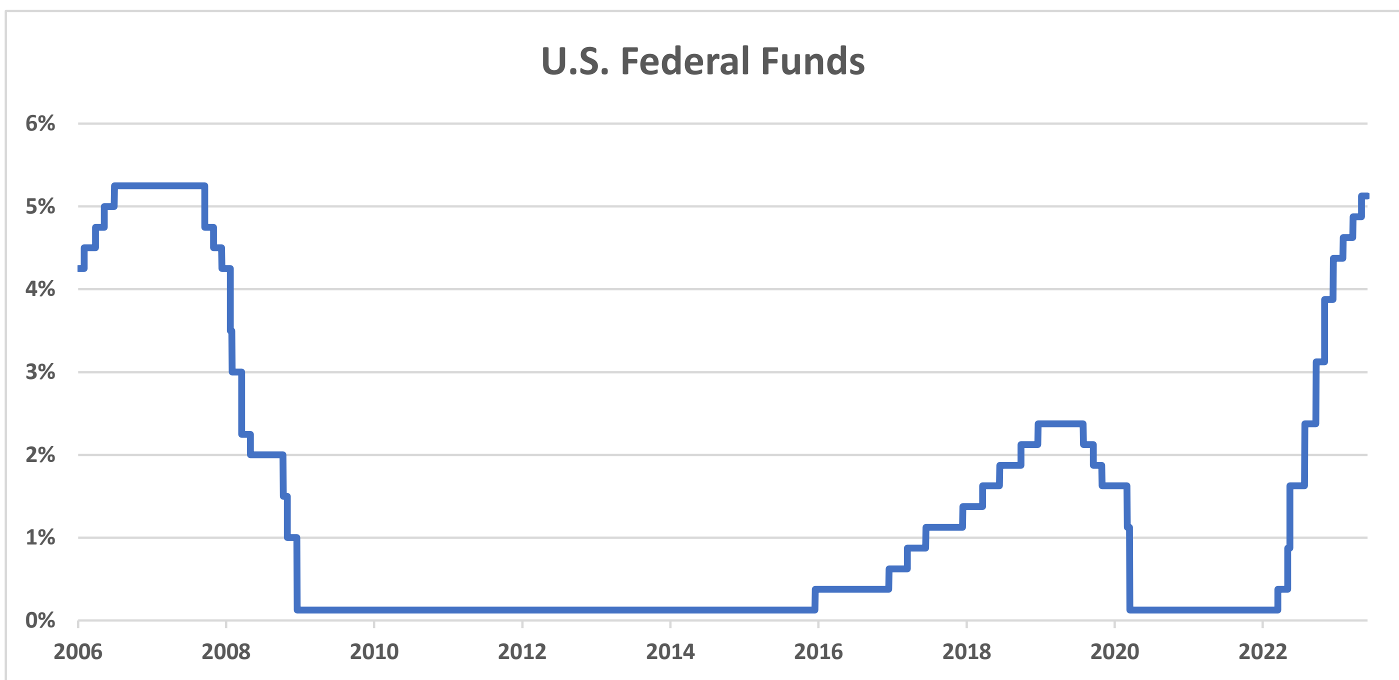
MONTHLY COMMENTARY

June 2023

Alfred Lam, MBA, CFA
Senior Vice-President & Chief Investment Officer
CI GAM | Multi-Asset Management

Richard J. Wylie, MA, CFA
Vice-President, Investment Strategy
CI Assante Wealth Management

Is the Fed set to pause?



Source: U.S. Federal Reserve

MARKET FOCUS

Is the Fed's inflation fight over?

Following its two-day monetary policy meeting in May, the U.S. Federal Reserve (the "Fed") raised administered interest rates by 25 basis points (a basis point is 1/100th of one per cent), moving the target for the federal funds rate to a range of 5.00% to 5.25% (from a range of 4.75% to 5.00%). This takes the cumulative rate hike to 500 basis points, since the first move took place on March 16, 2022. It is now the largest total rate increase since interest rates on federal funds rose 1,525 basis points from 4.75% in November 1977 to 20.0% in May 1981. Overnight borrowing rates are now the highest since September 18, 2007, before the onset of the financial crisis. Importantly, in the press release that accompanied the May announcement, the text that previously stated "The Committee anticipates that some additional policy firming may be appropriate in order to attain a stance of monetary

policy that is sufficiently restrictive to return inflation to 2 percent over time" was dropped. This suggests that the Fed may now move to hold interest rates steady. However, April data shows that the Consumer Price Index (CPI) had risen 4.9% compared to April 2022. Even though this is well below the 9.1% high announced for June of last year, it was accompanied by a 5.5% annual advance in core inflation (CPI ex food and energy). The data continues to show clear evidence of elevated inflationary pressures within the United States. The next Fed policy meeting is scheduled for June 13 and 14.

Canadian job growth continues, but is narrowly focused

Statistics Canada announced that the national unemployment rate held steady at 5.0% for a fifth straight month in April 2023. This is only marginally higher than the 4.9% post-pandemic low recorded in June and July 2022. Additionally, 41,400 jobs were added during the month. This advance was the 10th monthly gain in the last 12 and overall employment growth stood at 2.1% (year-over-year). Still, despite the headline numbers, improvements in the job market have been uneven. Not surprisingly, the accommodation and food services sub-sector, which bore the brunt of the pandemic closures, saw the largest annual employment gain (6.2%) in this report. Conversely, employment in public administration, which saw very little impact from COVID-19 also experienced a remarkable 5.5% annual increase in employment. At this juncture, public administration comprises 5.9% of all the jobs in Canada, well above the 5.2% average for the decade that preceded the pandemic. Ignoring the growth in these two sectors, the rest of the economy saw job growth of only 1.6% for the 12-month period. Continued uneven job growth may put continued economic growth at risk.

LONGER VIEW

The Federal Reserve has raised rates aggressively this year and that is expected to cool inflation. The side effect of this strategy is a slowing economy and rising unemployment. Until we know how bad these side effects will be, the markets will remain a "guessing game." Over the long term, we expect rates to average 2.25%-2.5%; this means the 10-year bond at a 3.7% yield today is oversold. Stocks will likely continue to benefit from low long-term interest rates and technology advancement. Economic cycles have been short and volatile as they are heavily influenced by dramatic policies. Therefore, investors should not be overly excited or concerned about what they see in the immediate term.

For more information, we encourage you to speak to your advisor or visit us at assante.com

The information contained herein consists of general economic information and/or information as to the historical performance of securities, is provided solely for informational and educational purposes and is not to be construed as advice in respect of securities or as to the investing in or the buying or selling of securities, whether expressed or implied. These statements reflect what CI Assante Wealth Management ("Assante"), and the authors believe and are based on information currently available to them. Forward-looking statements are not guarantees of future performance. We caution you not to place undue reliance on these statements as a number of factors could cause actual events or results to differ materially from those expressed in any forward-looking statement, including economic, political and market changes and other developments. Neither Assante nor its affiliates, or their respective officers, directors, employees or advisors are responsible in any way for any damages or losses of any kind whatsoever in respect of the use of this document or the material herein. CI Assante Wealth Management is a registered business name of Assante Wealth Management (Canada) Ltd. CI GAM | Multi-Asset Management is a division of CI Global Asset Management. CI Global Asset Management is a registered business name of CI Investments Inc. This document may not be reproduced, in whole or in part, in any manner whatsoever, without the prior written permission of Assante. ©2023 CI Assante Wealth Management. All rights reserved. 23-05-893013_E (05/23)