

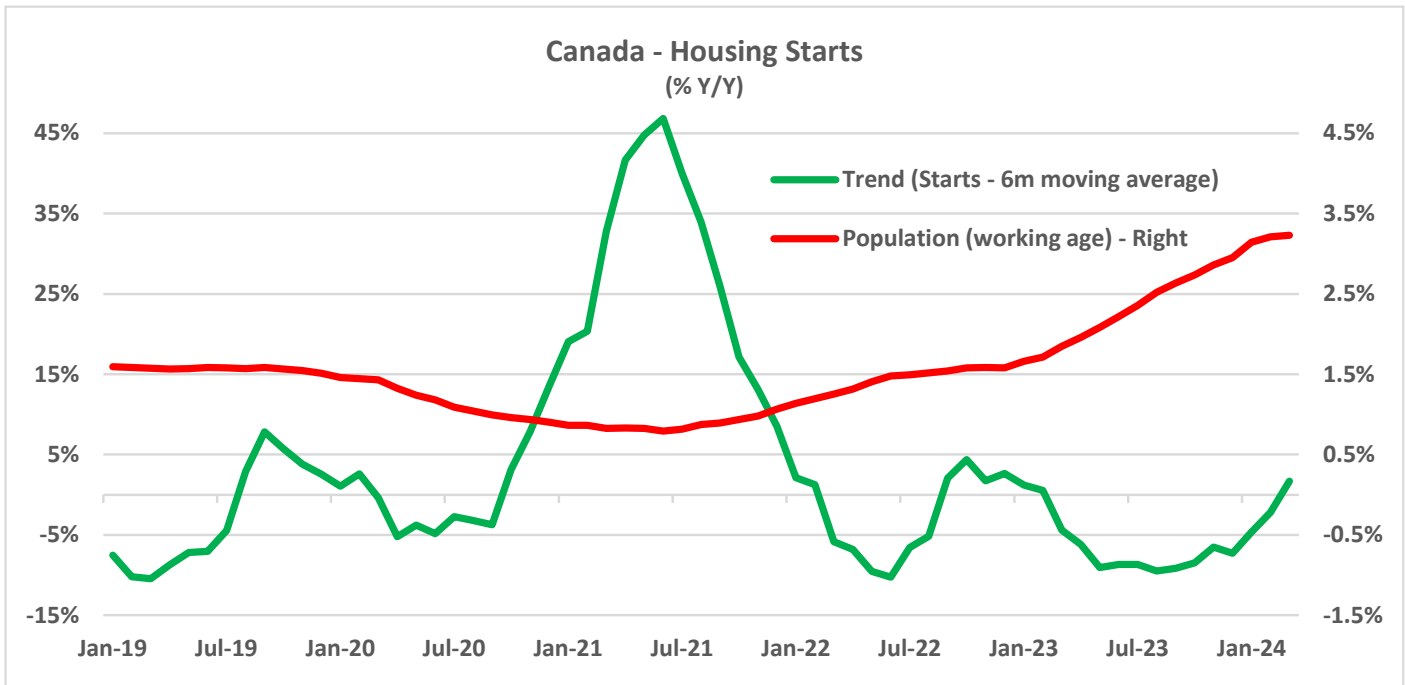
MONTHLY COMMENTARY

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Canadian housing falls short.



Source: Statistics Canada; CMHC

MARKET FOCUS

Housing starts fail to keep up.

The Canada Mortgage and Housing Corporation's mandate is to "promote housing affordability and choice, to facilitate access to, and competition and efficiency in the provision of, housing finance, to protect the availability of adequate funding for housing at low cost, and generally contribute to the well-being of the housing sector in the national economy."¹ In its most recent report, CMHC announced that housing starts fell 1.6% to 242,195 units (seasonally adjusted annual rate) in March. This is down 6.9% from February's 260,047-unit level. These figures have recently seen considerable volatility. Accordingly, the CMHC recommends following its trend measure (six-month moving average) "to obtain a clearer picture of upcoming new housing supply." CMHC's six-month trend level was 243,957 in the March report—the lowest since August 2023. Still, as can be seen in the accompanying graph, year-over-year growth turned positive (+1.7%) for the first time since February 2023. More importantly, however, Canada's current rate of population growth (+3.2%) is more than double the rate that prevailed during the decade from 2011 to 2020 (+1.2%), suggesting that far greater growth in starts is required.

U.S. inflation stubbornly high.

The U.S. Bureau of Labor Statistics reported that the consumer price index rose 0.4% (seasonally adjusted basis) in March, matching the February advance. Over the last 12 months, the overall index has increased 3.5%. While this is far off the 9.1% high announced for June 2022 (highest since November 1981; 9.6%), it is higher than the 3.2% figure posted in the previous report and well above the 3.0% post-pandemic low recorded in June 2023. In addition, the report also revealed that core inflation (CPI ex food and energy) held steady at 3.8% (y/y) in March, still above 3.0% as it has been since April 2021. Inflation has moderated but remains stubbornly above the Fed's 2.0% target with core inflation stuck at a somewhat higher rate. These figures show continued price pressures within the U.S. economy. The market will continue to debate the possibility of an interest rate cut amid these price pressures.

LONGER VIEW

Many investors are obsessed about short-term issues such as near-term inflation, interest rates and economies; they are ignoring the opportunity of a multi-year trend which is the growth of Artificial Intelligence in business and our every day lives. We have seen dramatic demand for GPUs that power data centres and enable AI into the gadgets and software that we use. Reality is we will see much more usage and growing the market capitalization of the companies that enable and use AI. It is possibly a \$15-20 trillion investment opportunity.

¹ *CMHC's board of directors and committees.* CMHC ND. Retrieved April 16, 2024 from <https://www.cmhc-schl.gc.ca/about-us/management-and-governance/board-of-directors-and-its-committees#:~:text=CMHC%27s%20mandate%2C%20as%20defined%20in,to%20the%20well%20being%20of>

THE PLAYBOOK



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