

June was a relatively good month. It was nice to finish the first half of the year on a good note.

2023 has definitely been a good year to date. Admittedly, we are not back to all time highs for the stock market. And the fixed income market is lagging even further, due to the vertical increase in rates we experienced over the past 18 months or so.

So far in 2023, most portfolios are substantially outperforming money sitting in savings accounts or term deposits. Savings accounts and term deposits probably looked like they could be good investments in 2023, after a bad year for the markets in 2022. But history and the markets keep teaching us that the 'past does not predict the future'. In fact, as far as the markets are concerned, a bad year is probably more likely to be followed by a good year, as opposed to a second bad year.

Stocks associated with Artificial Intelligence (A.I. ) continue to be the superstars of 2023. Whether a company can contribute to A.I. (e.g. Nvidia, Microsoft, and Google - which are big components of the U.S. S&P 500 market index) , or might benefit from A.I. (e.g. a travel company, a transportation company, a communications company ), its stock is likely to have done well already or might do well in the future. In fact, A.I. might help alleviate the current shortages in labour and increasing wage costs. A.I. might also improve productivity. All of the preceding might even decrease the negative impact of the recession so many experts have been forecasting for so long.

Another positive event for the markets in the month of June was the agreement that was reached for the U.S. debt ceiling, which was then approved by the U.S. Congress and President.

In trying to forecast what the future holds for the second half of the year, I take some comfort in data compiled by the Bank of America showing that *'when the index (i.e. the U.S. S&P 500 market index) posts an above-average first half following a down year - it was nearly 20% in the red for 2022- the result has been positive returns 86% of the time for the second half, and 100% of the time for the full year...Breaking it down further, the average second-half return under those circumstances is 11.1%'* (source: CNBC Pro, Here's another reason that the market could post a huge rally in the second half, July 3, 2023).

While I personally doubt we will see exceptional returns over the next six months (I'd be OK with 'good!') , market optimism is not high. So that might mean that any market surprise will be to the upside. What does make me a bit more cautious in the short term (i.e. between now and late October) is the seeming intent of the U.S. Federal Reserve to increase their rates a bit further. The U.S. Federal Reserve had put a pause on their rate

increases in June. But that might change in July - even though some respected economists believe we have had enough!

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