

The first half of 2024 has been kind to most investors. The progress has been surprisingly consistent in that - for most investors holding diversified portfolios - April might be the only month in which they experienced a decline so far in 2024. This level of consistency is even more surprising given that market interest rates (best exemplified by the US Federal 10 Year Note yield) went up about 10% from the beginning of the year until the end of April.

Reflective of my past experiences and somewhat contrarian approach to investing, I worry more when markets are at their highs than when they are at their lows. The Canadian stock market did reach an all time high back in May. The U.S. stock market (best exemplified by the S&P 500 index) is currently at its all time high. My worry translates more into a slightly higher level of caution in some client discussions as opposed to a “Chicken Little” belief that the sky is about to fall. The market does have two main positive factors working in its favour: (1) the U.S. stock market’s monthly momentum remains positive, and (2) interest rates have peaked during this cycle. Given these positive factors, I believe that portfolios should be neutrally positioned relative to their desired/targeted equity asset mix - unless one’s circumstances has changed. The previous sentence is just a fancy way of advocating no major changes to portfolios. Contact us though if something has changed that might lead to a possible change in your investor profile.

One should also note that balanced portfolios often have a re-balancing feature that might actually lower equity exposure whenever the stock market experiences a strong increase. So what might look like ‘doing nothing’ to an investor might actually incorporate ongoing asset mix changes to their portfolios.

Finally, a word or two about U.S. politics. In my opinion, U.S. presidential politics will certainly continue to catch our attention but will probably not have as much of an impact on the overall U.S. economy and markets as one might envisage. Regardless of who ends up in the White House and which party controls the Congress, there are some major economic issues that need to be dealt with (e.g. see below for an example) and I don’t think the solutions would be vastly different depending on which political parties win. In a somewhat similar vein, I believe the same applies to Canada. I do think however that Conservatives in Canada & Republicans in the U.S. tend to favour less government regulation.