

# Financial and Economic Notes

October 2024 vol. 189

## Equity Markets

Last quarter, we highlighted how Canadian equities were not following the US market's torrid pace higher. Seemingly insulted, our domestic market rallied and outperformed this quarter, with the S&P/TSX returning 10.5% for the period. This performance wasn't the result of a commodity boost as is often the case when Canada leads. This time around, all eleven sectors offered positive returns. Interestingly, Energy (+2%) and Industrials (+3%) were two important sectors that lagged. Falling interest rate expectations certainly provided a boost to interest sensitive and dividend yielding components of the market. Real Estate (+23%), Financials (+17%) and Utilities (+17%) were the top performing sectors.

US equities posted another quarter of solid gains (+5.9%), building on a strong first half of the year. A key highlight of the quarter was the first rate cut by the US Federal Reserve, following similar moves by most developed economies around the world. The Canadian dollar also strengthened slightly against the US dollar, resulting in a 4.5% gain in CAD. On a sector level, the rally expanded beyond AI-exposed stocks, with interest-sensitive and cyclical sectors outperforming. Bond-proxy sectors such as Utilities (+19%) and Real Estate (+17%) led the market. Cyclical, including Industrials (+12%), Financials (+11%), and Materials (+10%), also performed strongly. In contrast, IT (+2%) and Communication Services (+2%) lagged, as some of the core AI-stock winners (Nvidia, Microsoft, Alphabet) took a breather after a robust first half of the year.

International equities were mostly supported by central banks easing around the world. However, investors were surprised by the central bank in Japan raising interest rates, leading to a significant strengthening of the yen and increased volatility in the stock market as the Japanese yen carry trade rapidly unwind. Overall, international equities continued their upward trend, rising 5.9% in Canadian dollar terms.

## Highlights

The rewarding year continues for equity investors, although we had to contend with some volatility in the third quarter.

## Fixed Income Markets

The long journey toward "normal" showed signs of ending as the yield curve returned to a positive sloping profile. The difference between the two-year Canada yield versus ten-year yield closed the quarter at positive 4 basis points, driven by a dramatic decline in two-2-year yields as expectations of central bank rate cuts increased. While a positive slope of 4 basis points is small in absolute terms, it is significant as it marked the end of an unprecedented environment for fixed income assets where the rapid pace of rate hikes had resulted in a yield curve inversion lasting over two years, which at its peak, reached negative 131 basis points in the degree of inversion between the two-year and ten-year yield. The normalization of the yield curve to a positive slope is not guaranteed for the market going forward, however, it was made clear during the quarter that central bank policies are converging, except for Japan. Central banks have moved into the rate cutting phase of the policy cycle, marking a turning point where the market has become focused on calibrating the timing of future rate cuts, in tandem with the strength of future economic data releases.

In September, the Fed commenced their rate cutting cycle with a bang, reducing the Fed Funds Target rate by 50 basis points to a target rate of 5%, which the bond market had priced in. The Fed was consistent in their messaging at the September meeting, confirming they had "increasing confidence that inflation was approaching their 2% target" and noted rising concerns of deepening labour market weakness. During the quarter, the Bank of Canada continued the path of consecutive 25 basis point rate cuts, cutting the overnight policy rate for the second and third consecutive time to close the quarter with a target overnight policy rate of 4.25%. At the end of the quarter, the overnight swaps and futures market were pricing in close to three additional 25 basis point rate cuts in both Canada and the US by the end of the year.

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## Assumption Life Investment Funds

Applicable for Registered Pension Plan clients only

Gross returns as of September 30, 2024

FUNDS	1 MTH %	YTD %	1 year %	2 years %	3 years %	4 years %	5 years %
<b>ASSUMPTION / LOUISBOURG FUNDS</b>							
<b>Balanced Fund - RPP</b>	<b>2.7</b>	<b>11.4</b>	<b>21.3</b>	<b>14.6</b>	<b>6.4</b>	<b>8.2</b>	<b>7.5</b>
Multi-Index	2.0	12.2	21.7	14.1	5.6	7.1	6.8
<b>Canadian Dividend Fund</b>	<b>4.1</b>	<b>17.1</b>	<b>28.0</b>	<b>22.4</b>	<b>14.7</b>	<b>18.2</b>	<b>13.8</b>
S&P / TSX Index	3.2	17.2	26.7	17.8	9.5	13.9	10.9
<b>U.S. Equity Fund (\$CAN)</b>	<b>3.1</b>	<b>21.9</b>	<b>36.5</b>	<b>28.1</b>	<b>16.4</b>	<b>17.9</b>	<b>16.8</b>
S&P 500 Index (\$ CAN)	2.4	25.1	36.2	27.7	14.3	16.5	16.4
<b>Money Market Fund</b>	<b>0.3</b>	<b>3.5</b>	<b>4.8</b>	<b>4.2</b>	<b>3.0</b>	<b>2.3</b>	<b>2.0</b>
SCM 91 Day T-Bills	0.3	3.8	5.1	4.8	3.5	2.6	2.3
<b>Fixed Income Fund</b>	<b>1.9</b>	<b>4.4</b>	<b>13.0</b>	<b>5.8</b>	<b>0.4</b>	<b>-0.4</b>	<b>0.8</b>
SCM Universe Bond Index	1.9	4.3	12.9	5.5	-0.1	-0.9	0.6
<b>Growth Portfolio</b>	<b>3.0</b>	<b>17.4</b>	<b>26.7</b>	<b>20.2</b>	<b>11.5</b>	<b>14.5</b>	<b>12.9</b>
Multi-Index	2.5	18.2	27.6	20.6	10.0	13.4	11.4
<b>Balanced Growth Portfolio</b>	<b>2.7</b>	<b>14.6</b>	<b>23.5</b>	<b>16.8</b>	<b>9.1</b>	<b>11.5</b>	<b>10.3</b>
Multi-Index	2.4	14.8	23.9	17.0	7.8	10.2	9.1
<b>Balanced Portfolio</b>	<b>2.3</b>	<b>12.1</b>	<b>20.6</b>	<b>13.5</b>	<b>6.5</b>	<b>8.4</b>	<b>7.8</b>
Multi-Index	2.2	11.2	20.0	13.1	5.2	6.5	6.3
<b>Conservative Portfolio</b>	<b>1.8</b>	<b>9.9</b>	<b>18.4</b>	<b>10.7</b>	<b>4.3</b>	<b>5.9</b>	<b>5.4</b>
Multi-Index	2.0	7.7	16.2	9.2	2.6	2.9	3.5
<b>Canadian Small Capitalization Equity Fund</b>	<b>3.5</b>	<b>17.1</b>	<b>26.4</b>	<b>19.8</b>	<b>11.9</b>	<b>20.4</b>	<b>17.3</b>
BMO NB Small Cap Weighted Index	3.8	18.0	25.1	15.8	4.9	13.6	10.1
<b>SmartSeries Income Fund</b>	<b>1.9</b>	<b>11.2</b>	<b>19.2</b>	<b>12.3</b>	<b>5.2</b>	<b>7.1</b>	<b>6.4</b>
Multi-Index	2.0	8.8	17.5	10.4	3.3	3.6	4.3
<b>SmartSeries 2020 Fund</b>	<b>2.0</b>	<b>11.8</b>	<b>20.0</b>	<b>13.6</b>	<b>6.3</b>	<b>8.5</b>	<b>7.5</b>
Multi-Index	2.0	9.7	18.5	11.8	4.2	5.3	5.6
<b>SmartSeries 2025 Fund</b>	<b>2.2</b>	<b>13.5</b>	<b>22.2</b>	<b>16.1</b>	<b>7.9</b>	<b>10.2</b>	<b>8.9</b>
Multi-Index	2.1	12.2	21.2	14.5	5.9	7.4	7.3
<b>SmartSeries 2030 Fund</b>	<b>2.3</b>	<b>14.3</b>	<b>23.3</b>	<b>17.2</b>	<b>8.6</b>	<b>11.0</b>	<b>9.5</b>
Multi-Index	2.2	13.3	22.5	15.6	6.6	8.4	8.1
<b>SmartSeries 2035 Fund</b>	<b>2.5</b>	<b>15.2</b>	<b>24.7</b>	<b>18.7</b>	<b>9.6</b>	<b>12.2</b>	<b>10.5</b>
Multi-Index	2.2	14.8	24.1	17.2	7.5	9.8	9.2
<b>SmartSeries 2040 Fund</b>	<b>2.6</b>	<b>16.3</b>	<b>26.1</b>	<b>20.4</b>	<b>10.7</b>	<b>13.3</b>	<b>11.4</b>
Multi-Index	2.3	16.4	25.9	19.0	8.6	11.2	10.3
<b>SmartSeries 2045 Fund</b>	<b>2.7</b>	<b>17.0</b>	<b>27.1</b>	<b>21.3</b>	<b>11.3</b>	<b>14.0</b>	<b>11.9</b>
Multi-Index	2.3	17.4	26.9	20.0	9.2	12.0	10.9
<b>SmartSeries 2050 Fund</b>	<b>2.8</b>	<b>17.5</b>	<b>27.9</b>	<b>22.2</b>	<b>11.9</b>	<b>14.7</b>	<b>12.3</b>
Multi-Index	2.4	18.2	27.9	20.9	9.7	12.7	11.5
<b>SmartSeries 2055 Fund</b>	<b>2.9</b>	<b>18.0</b>	<b>28.6</b>	<b>23.0</b>	<b>12.4</b>	<b>15.2</b>	<b>12.7</b>
Multi-Index	2.4	19.0	28.8	21.7	10.2	13.3	12.0
<b>Momentum Fund</b>	<b>5.7</b>	<b>25.1</b>	<b>26.7</b>	<b>14.5</b>	<b>11.5</b>	<b>13.9</b>	<b>18.0</b>
S&P / TSX Index	3.2	17.2	26.7	17.8	9.5	13.9	10.9
<b>Preferred Share Fund</b>	<b>0.8</b>	<b>22.0</b>	<b>33.5</b>	<b>14.5</b>	<b>4.3</b>	<b>13.9</b>	<b>10.6</b>
S&P/TSX Preferred Share (TXPR) Index	0.5	20.5	29.3	11.1	2.0	7.6	6.6

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<b>FIDELITY FUNDS</b>							
<b>Canadian Opportunities Fund</b>	<b>2.5</b>	<b>9.8</b>	<b>20.3</b>	<b>20.0</b>	<b>11.1</b>	<b>16.3</b>	<b>17.1</b>
S&P / TSX Small and Mid Cap Combined Index	3.6	19.9	26.3	19.4	8.9	13.3	10.3
<b>True North Fund</b>	<b>2.2</b>	<b>14.8</b>	<b>23.0</b>	<b>17.2</b>	<b>9.9</b>	<b>14.5</b>	<b>12.6</b>
S&P / TSX Index	3.2	17.2	26.7	17.8	9.5	13.9	10.9
<b>International Growth Fund</b>	<b>0.8</b>	<b>14.6</b>	<b>28.5</b>	<b>24.2</b>	<b>6.0</b>	<b>8.3</b>	<b>10.4</b>
Overseas Blend	0.7	15.0	26.4	22.2	4.1	6.7	8.2
<b>Europe Fund</b>	<b>1.9</b>	<b>19.4</b>	<b>26.8</b>	<b>27.5</b>	<b>9.1</b>	<b>11.3</b>	<b>8.8</b>
MSCI Europe Index	0.6	15.5	25.1	26.0	9.0	11.8	9.3
<b>American Disciplined Equity Fund</b>	<b>2.5</b>	<b>25.1</b>	<b>36.2</b>	<b>27.7</b>	<b>14.3</b>	<b>16.5</b>	<b>16.4</b>
S&P 500 Index (\$CAN)	2.4	22.8	30.7	21.6	4.6	7.8	9.7
<b>NorthStar Fund</b>	<b>2.6</b>	<b>19.1</b>	<b>28.1</b>	<b>23.7</b>	<b>10.3</b>	<b>13.5</b>	<b>14.1</b>
MSCI AC World	2.6	21.6	31.7	25.1	10.4	13.0	12.6
<b>Monthly Income Fund</b>	<b>2.4</b>	<b>12.6</b>	<b>20.8</b>	<b>12.8</b>	<b>6.7</b>	<b>9.3</b>	<b>7.9</b>
Monthly Income Blend	2.3	12.2	21.0	13.5	5.2	7.3	6.5
<b>Canadian Asset Allocation Fund</b>	<b>2.5</b>	<b>13.2</b>	<b>22.5</b>	<b>14.1</b>	<b>6.7</b>	<b>9.2</b>	<b>7.9</b>
Can Asset Alloc Blend	2.8	12.6	20.8	12.8	6.7	9.3	7.9
<b>Far East Fund</b>	<b>14.5</b>	<b>27.4</b>	<b>34.5</b>	<b>25.3</b>	<b>-1.3</b>	<b>1.0</b>	<b>4.7</b>
MSCI AC FE ex Jap (G)	10.7	23.6	26.8	17.9	1.1	1.9	5.5
<b>Emerging Market Fund</b>	<b>8.4</b>	<b>22.8</b>	<b>30.7</b>	<b>21.6</b>	<b>4.6</b>	<b>7.8</b>	<b>9.7</b>
MSCI Emerging Markets (G)	7.0	20.1	26.4	18.1	3.0	5.3	6.6
<b>NorthStar Balanced Fund</b>	<b>2.2</b>	<b>13.2</b>	<b>20.1</b>	<b>15.0</b>	<b>6.8</b>	<b>8.2</b>	<b>8.8</b>
Northstar Balanced Blend	2.2	13.7	20.8	14.6	5.7	6.1	6.8
<b>CI FUNDS</b>							
<b>Signature Corporate Bond Fund</b>	<b>1.6</b>	<b>9.4</b>	<b>15.6</b>	<b>10.4</b>	<b>3.3</b>	<b>4.7</b>	<b>4.5</b>
Multi-Index	1.9	6.4	14.1	9.0	1.8	2.6	2.9
<b>Signature Canadian Bond Fund</b>	<b>2.0</b>	<b>5.2</b>	<b>14.4</b>	<b>6.6</b>	<b>0.8</b>	<b>0.2</b>	<b>1.8</b>
SCM Universe Bond Index	1.9	4.3	12.9	5.5	-0.1	-0.9	0.6
<b>Signature High Income Fund</b>	<b>2.5</b>	<b>13.9</b>	<b>22.4</b>	<b>12.9</b>	<b>7.1</b>	<b>10.9</b>	<b>8.1</b>
Multi-Index	2.7	12.2	23.7	13.1	6.9	9.2	6.3
<b>American Value Fund</b>	<b>0.7</b>	<b>27.2</b>	<b>39.8</b>	<b>29.2</b>	<b>15.0</b>	<b>19.4</b>	<b>16.2</b>
S&P 500 Index (\$CAN)	2.5	24.6	35.8	27.4	14.4	16.6	16.5
<b>Cambridge Canadian Dividend Fund</b>	<b>4.0</b>	<b>16.7</b>	<b>24.4</b>	<b>17.7</b>	<b>10.5</b>	<b>16.7</b>	<b>12.0</b>
S&P/TSX Composite Total Return Index	3.2	17.2	26.7	17.8	9.5	13.9	10.9
<b>Cambridge Canadian Asset Allocation Corp Fund</b>	<b>1.6</b>	<b>13.7</b>	<b>24.0</b>	<b>15.5</b>	<b>5.4</b>	<b>6.9</b>	<b>6.2</b>
60% S&P/TSX, 40% Dex Universe Bond Total Return	2.7	11.9	21.1	12.9	5.7	7.9	6.9
<b>Signature Global Resource Corp Class Fund</b>	<b>1.4</b>	<b>10.5</b>	<b>5.7</b>	<b>12.1</b>	<b>15.3</b>	<b>22.9</b>	<b>16.2</b>
50%S&P/TSX Energy Total Return Index, 50% S&P/TSX Materials Total Return Index	0.8	22.1	22.5	17.0	16.6	18.1	13.8
<b>Signature Global Dividend Fund</b>	<b>1.1</b>	<b>20.0</b>	<b>28.8</b>	<b>21.0</b>	<b>12.7</b>	<b>16.4</b>	<b>12.8</b>
MSCI ACWI Global High Dividend Yield Total Return Index (CAD)	2.2	16.4	21.5	17.9	9.5	11.1	8.2