RESEARCH CAPITAL CORPORATION

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In October, financial markets remained weak as investors reacted cautiously to geopolitical tensions in the Middle East. Here’s a summary of the main events that steered the markets:

Monthly market developments

- Despite a final day rally driven by tech stocks and corporate earnings, equity markets declined in October as the Israel-Hamas conflict weighed on investor sentiment.
- Bond yields temporarily fell and prices increased mid-month as investors turned to safe-haven assets following the Israel-Hamas war.
- Consumer discretionary companies in the travel and leisure services sector posted strong Q3 earnings.
- Oil prices fell 10% at the start of October on news of rising inventory reserves then rose 4% due to uncertainty over the Israel-Hamas war before falling again as fears of a wider regional conflict faded.
- Safe-haven assets gold and the U.S. dollar surged in value as a result of the conflict in the Middle East.
- Job creation in Canada and the United States defied expectations again, showcasing the labour market’s strength. However, U.S. wage growth continued to slow, supporting the notion that inflation is easing.
- The U.S. economy posted an impressive 4.9% real GDP annualized growth rate for Q3. This was attributed to significant fiscal support, strong consumer spending and confidence as well as a stable labour market.

- China delivered another round of stimulus by authorizing a bond issuance of a trillion yuan (C$188 billion), raising its fiscal deficit limit to 3.8% of GDP from 3%. In addition, China's foreign minister visited Washington. Improved relations between the two nations would be welcomed by the markets.
- U.S. CPI for September was unchanged at 3.7% year-over-year. Shelter prices remain problematic but are expected to slow as data lags the more frequently updated housing and rental data which indicate a deceleration in prices. The Fed's next rate announcement is on November 1 where it is expected to hold rates again at 5.25-5.5%.
- Canadian CPI for September decreased from 4% to 3.8% year-over-year. This was an important reversal after a couple months of higher-than-expected inflation. Core goods and services inflation decreased though mortgage interest and rental costs remain high. The latest CPI reading combined with a softer Business Outlook Survey and weak economic growth was enough for the Bank of Canada to continue holding rates at 5%.

How dos this affect my investments?

Equities often take their cue from major moves in interest rates, and this recent run higher in bond yields is no exception. However, dovish comments from Fed Chair Powell emphasizing the benefits of higher long-term rates and tighter financial conditions suggest there might be less need for additional hikes.

Regardless of where we are in the market cycle, it's important to take a disciplined approach to investing and stay focused on your long-term goals. This strategy helps you keep your emotions out of investing, typically buying high and selling low like many investors do. Ongoing monitoring and reviewing of your portfolio also ensures it remains on track. Diversifying investments reduces risk as well.

If you have any concerns do not hesitate to contact me at 613-491-3344.

Sincerely,

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