September 2024

Hassan Fox Wealth Management

Market Commentary

Portfolio Strategy

North American equity markets experienced a significant drawdown in late July and early August. However, the sell-off proved to be short-lived, as markets staged a quick recovery and recaptured most (S&P 500) or all (S&P/TSX) of its losses by the end of August. Although September has historically been one of the worst months of the year, and volatility may return in the weeks ahead, we remain constructive on the market over the medium term. This outlook is backed by three key supports that remain in place: solid earnings growth, strong (but not too strong) economic data and expected monetary easing.

Earnings growth in Q2 was the best quarter for the S&P 500 in nearly three years and this trend is expected to continue with consensus estimates implying forward earnings to continue growing over the next year. On the economic front, recent Q2 GDP print data showed economic growth of 3% (solid, but not too strong) in the United States driven by strong consumer spending. And finally, almost universal expectations are for the Fed to start to cut rates at a gradual pace starting in September.

On the topic of interest rates, Switzerland and Canada are not typically the one's leading the developed world, but that is exactly what these two countries have recently done, being among the first of G10 to cut central bank rates. However, US Federal Reserve Chairman, Jerome Powell, recently confirmed that "the time has come" to lower rates at the upcoming September 17-18 meeting. This is fully in line with market expectations, with a 0.25% cut fully priced in for a while now. While the element of surprise will be absent, the fact that the world's most important central bank will cut because of the continued positive inflation trend (a good reason) means that the impact should be positive for both bonds and equities.

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