

The Wrap Up



Let's Hope It's a Good One

It's that time of year where everyone gives their predictions for 2024. Always trying to hold ourselves to account, we will also circle back to last year's predictions.

Markets: Last year, we forecasted single digit returns and depending on which side of North America you're overweighted in, we were both right (TSX at 7%) and wrong (S&P 500 up 23%). For 2024, we expect to experience similar levels of volatility as we did this year with both markets struggling to build on this year's performance. Our base case assumes single digit returns for both indices in the year ahead.

The economy: We were right on the money regarding inflation falling in the 3-3.5% range (yay!) but incorrectly predicted a US recession. I'm on the fence about our prediction for Canada, which was also a recession as I think we're pretty much there already. For 2024, we believe that economics will continue to be challenging as the lagged effects of monetary policy will limit growth and the consumer will have exhausted all excess savings. The US will avoid recession but will also have difficulty repeating the economic growth we saw this year. Canada will have a difficult start to 2024 but should end the year on a more positive note.

Politics: There's an upcoming election in the US in 2024 and by last December, it was already evident who the two front runners would be. A year later and it appears as though we will have a repeat of 2020. It really is too tight to predict who will win but whoever does, it will be a narrow-margined victory. Mexico will have a new president while India will also hold elections, although we do not see a change in the country's leadership. Boldest prediction of the year is that the 2024 Russian election will see Vladimir Putin win with record levels of approval. On the subject of Russia, we gave low odds that their invasion of Ukraine would end in 2023 and we do not believe that the conflict will end in 2024 either. We expect the current situation in Gaza, however, will come to a resolution in the first half of next year; we hope that it yields a healthier, pragmatic, status quo.

Renewable energy: We underestimated the impact of high interest rates on renewable energy projects. We also overestimated the cost of energy in 2023;

Let's connect

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had the price of gas and oil remained elevated, the higher interest rates would have mattered less. As rates begin to go down, we believe renewables will have a better year, and although we still see a long runway in this space, the pace will be moderate.

Interest rates: Rates will come down, both in America and in Canada. We think that Canada will have to cut rates to respond to a weakening economy while we think the US will begin to trim rates because they will have declared their war on inflation over. Our belief is that if the US economy is so resilient, it does not need lower rates to stimulate economic activity, therefore, the central bank will either be lowering rates mistakenly, or will be doing so because economic activity will have weakened significantly from today's levels. Either way, the market is too optimistic on when the rate cuts are to begin and on how many rate cuts to expect for the year (we sit at 3, starting in July).

We see 2024 lining up to be the year that we thought 2023 would be. We're not overly optimistic nor do we have reason to feel too pessimistic either. The wild card will be the role of AI and how it will impact the market, the economy and day to day life. We are convinced that AI tools will disrupt the way we function in the same way that the internet did, however, we are uncertain of the timeline, hence the wild card notion.

Stock ideas

Leon: Top pick in Canada is Jamieson Wellness and CVS or Abbvie in the US. He also likes the healthcare sector and has an interest in genomics stocks as a high risk/high reward play.

David: Top pick in Canada is Intact Financial and Nvidia (yes, again, but we're not expecting 200% growth to repeat itself) for the US. I think yield sensitive industries like utilities and telecoms will have a strong rebound year.

Sports

Leon: Rangers to win the Cup, 49ers to win the Superbowl, Warriors to be crowned NBA champions, with "no interest in baseball".

David: Canucks to win the Cup and the Habs will make the playoffs, 49ers to win the Superbowl and AC Milan to win the Europa League.

On a final note, we want to thank management and our Nesbitt, Private Banking, and commercial colleagues for helping us and our clients throughout the year. We are happy to have completed our first year under the LD Wealth Management banner, and I am personally grateful that Myles and Leon continue to entertain my long-winded macro economic and political commentary.

Thank you to our clients; we appreciate your trust, we enjoy growing with you, we are happy to hear about the successes in your lives and we will be by your side, whatever manifests in the years ahead.

Thank you to everyone who reads 'The Wrap Up'; your comments and feedback mean so much.

On behalf of myself, Leon, Myles (and Leon's adorable children, Luka and Alyssa, pictured below), we want to wish everyone Happy Holidays, a Merry Christmas and a Happy New Year!

We'll be back on January 12th.



HAPPY
Holidays!

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