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MDL Group

BMO Nesbitt Burns

September 2024 - Newsletter # 72

THE BULL, THE BEAR AND THE TURTLE

BMO Private Wealth

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Pierre's comments

September 16, 2024.

By the time this newsletter reaches you, many reactions to the Fed's decision on interest rates will have emerged. But the assumption on which the decision was based has not yet been tested. Time will tell whether the size of the cut was right. Caution on the part of both central bankers and investors will be essential. Monetary policy decisions regarding the pace of rate cuts will determine the direction and volatility of equity markets. The reason why it is so difficult to lower interest rates is because of the economic lag effect from the previous sharp rise in interest rates.

Supported by unprecedented fiscal spending, the economy overheated as it emerged from the pandemic, leading to significant inflationary pressures. Central banks were forced to hike interest rates in order to cool the economy and thus curb inflation. The "lag effect" is the time it takes for monetary policy to work its way through the economy by slowing investment and consumer spending. The longer it takes for inflation to slow, the more companies are forced to face a combination of wage pressures and rising financing costs, which could ultimately lead to layoffs and a rise in unemployment and, eventually, a recession.

What the Federal Reserve Board and its chairman, Jerome Powell, are trying to do is to slow the economy enough to bring inflation down to within its 2-3% target without triggering a recession, or what we call a "soft landing" of the economy. Failure to do so has consequences:

1) Keeping interest rates too high for too long could cause a sharp recession, i.e., a hard landing, which could have significant drawbacks for investors and potentially damage the overall economic structure.

2) Cutting rates too soon or too much could lower the value of the U.S. dollar on a relative basis and reignite inflation.

There has been sustained downward pressure on the U.S. dollar given the projected budget deficit of 6% of GDP for the foreseeable future. This compares to other developed countries, where the projected budget deficit is closer to 2% of GDP. This downward pressure was somewhat offset by consistently higher yields on U.S. Treasuries relative to their peers. However, it also reflects the higher cost of financing.

TABLE 1

Spot Yields for 10 Year Benchmark Government Bonds

Country	September 25, 2024	June 28, 2024	March 29, 2024
Canada	2.97%	3.50%	3.42%
United States	3.83%	4.39%	4.25%
France	2.99%	3.32%	2.87%
United Kingdom	4.03%	4.23%	3.96%
Japan	0.89%	1.09%	0.77%
Australia	3.97%	4.34%	4.01%
Germany	2.16%	2.46%	2.28%

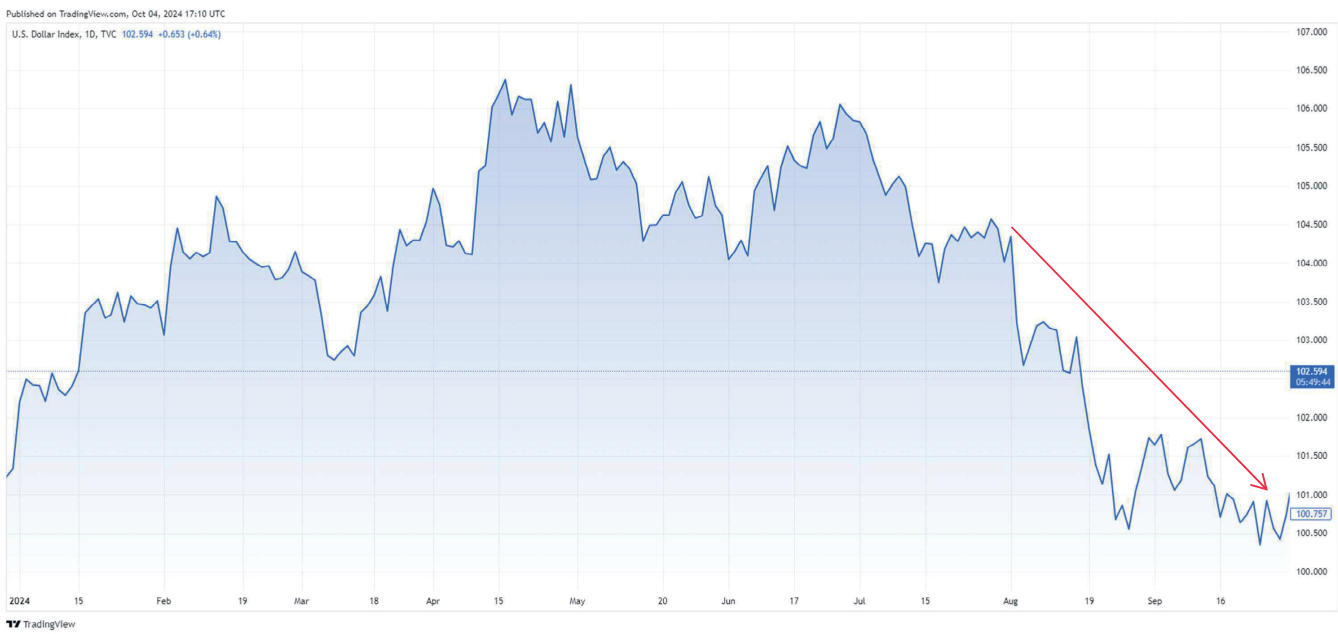
Note: Bid and ask price data is not available from underlying sources in the FactSet Interest Rates database.

*Tick: Based on last price of previous closing day.

Sources: FactSet Interest Rates, Tullett Prebon Information, *SWX Swiss Exchange.

A weaker U.S. dollar adds to inflationary pressures as imports and commodity prices become more expensive. As shown in the DXY graph (**Chart 1**), the U.S. dollar started to weaken in August as it became clearer that the Fed would start easing its monetary policy in September.

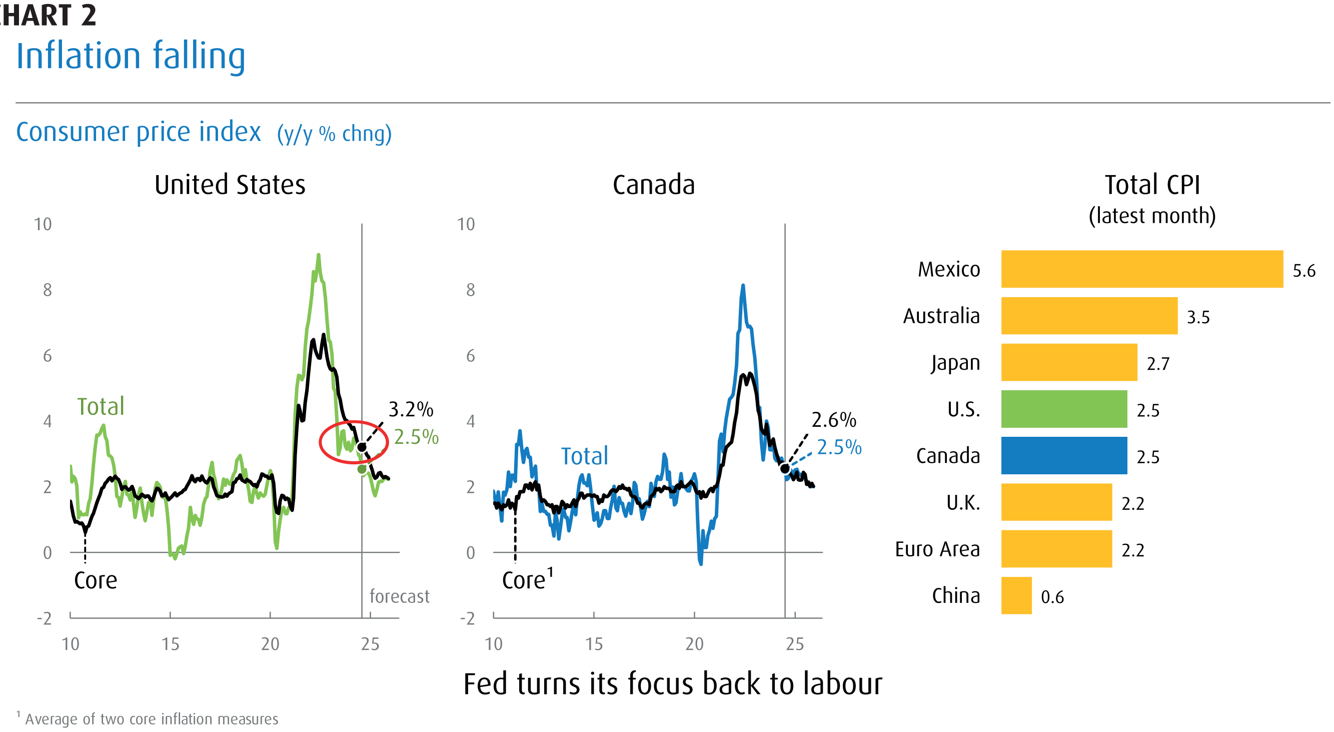
CHART 1



Source: DXY — U.S. Dollar Index Chart — TradingView

This may also explain why the U.S. consumer price index (CPI) has shown more resilience over the past two months compared to other developed nations. (Inflation by country – **Chart 2**)

CHART 2



Sources: BMO Economics • Haver Analytics

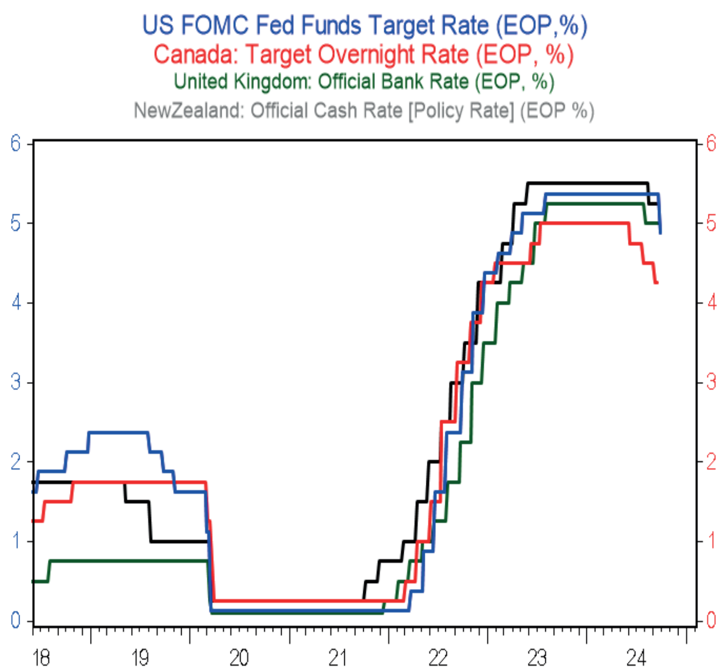
The Fed is definitely walking a tightrope. Chairman Powell is facing not one but a series of tough decisions, and it seems that the market is becoming very confident that he will make the right call and successfully engineer a soft landing.

In contrast, gold has risen from US$2,150 in March to US$2,600 today, in anticipation of lower rates, i.e. a lower U.S. dollar (DXY). It's also perhaps acting as a hedge against economic risks, fiscal policy risks (debt), and geopolitical risks, all of which are very present at the moment. The popularity of this hedge is gaining ground, and that speaks for itself.

Downward pressure on the U.S. dollar translates into stronger foreign currencies against the greenback (on a relative basis). This eases inflationary pressures in those other countries, allowing them to cut interest rates further to stimulate their own economies. The U.S. economy has outperformed most other economies in recent years, but a return to a better balance may well be in play. The U.S. is the last country to cut rates. Canada has lowered its rates three times so far (**Chart 3**).

Countries that initiated an earlier cycle of rate cuts, such as New Zealand and in Europe (EU), are bound to get a head start on the recovery. Emerging markets have been suffering from China's economic woes, but the country has already cut its rates four times and has launched a series of economic stimulus measures in recent weeks.

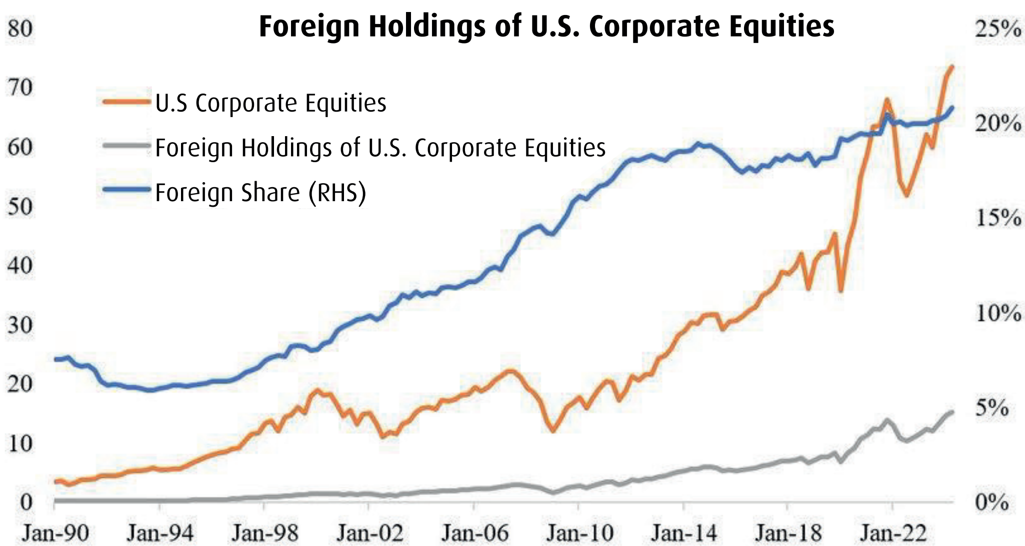
CHART 3



Sources: FRB, BoC, BoE, RBNZ

Chart 4 shows foreign holdings of U.S. corporate equities, which are at historic highs. A weakening U.S. dollar could drive foreigners to take some profits off the table as they face a higher currency risk. A strong currency usually attracts capital. This suggests a possible rebalancing of the geographic asset mix in the coming year, based on fundamentals. Yet, given the geopolitical risks ahead, perhaps the U.S. dollar may prove to be resilient as well, just like gold!

CHART 4

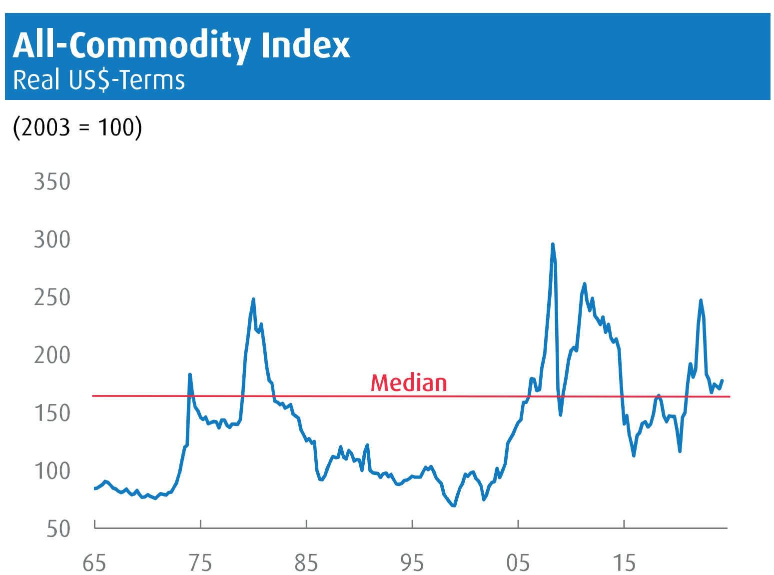


Source: Federal Reserve. Excludes mutual fund shares and direct investments.

Source: Federal Reserve, Joseph Wang

Savvy foreign investors will be on the lookout for a weakening U.S. dollar and could bring capital back home. A broader geographic base recovery should push commodity demand and prices up, which is good for suppliers, namely Canada, Australia, and Brazil, among others. **Chart 5** shows the inflation-adjusted All-Commodity Index near its 60-year median. With stimulative monetary policies spreading around the world, commodity demand and pricing power will resume, perhaps next year, favoring producers and exporting countries like Canada. As opposed to the TSX, the commodity and energy sectors are not as well represented in U.S. indexes, notably the NASDAQ, S&P 500 and Dow Jones. While technology remains a more constant driver, global synchronized economic growth is the best environment for commodity producers and suppliers to outperform.

CHART 5



Source: BMO Economics

While monetary policy impacts the pace of the economy, the outcome is not always reflected as expected in equity markets. **Table 2** and **Chart 6** show the performance of the S&P 500 before and after the beginning of a rate-cutting cycle. Monetary policy is not the only variable that will affect equity markets.

TABLE 2

S&P 500

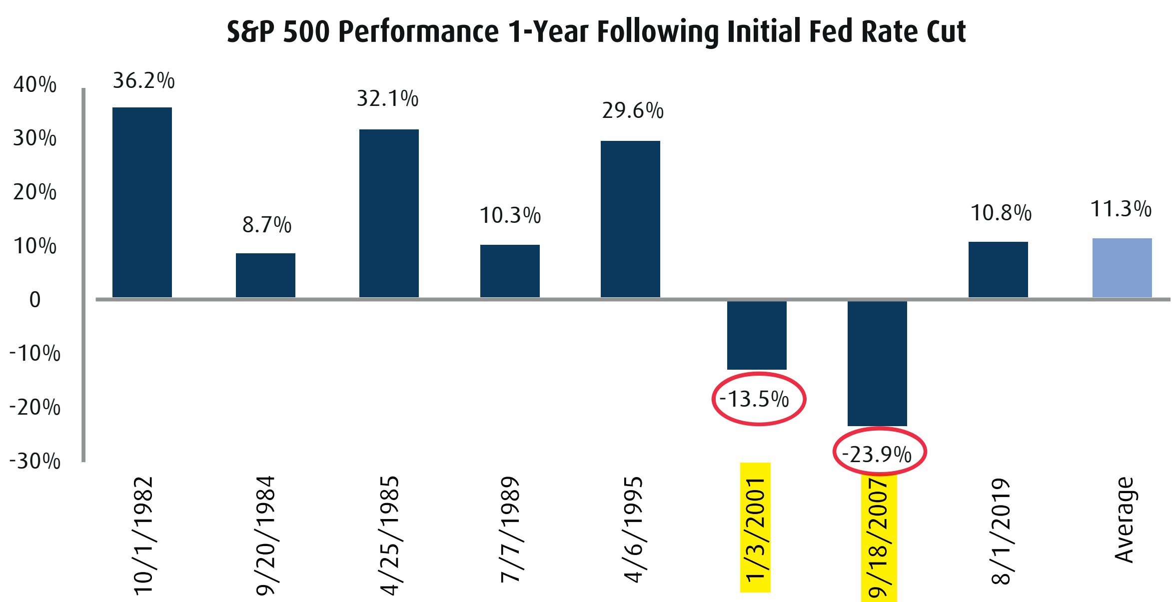
Exhibit 1: S&P 500 Price Performance Around Initial Fed Rate Cuts

	Performance Period in Relation to Initial Fed Rate Cut			
Date of Initial Fed Cut	**-12 Months**	**+3 Months**	**+12 Months**	**2 Year Total***
10/1/1982	4.2%	15.1%	36.2%	41.8%
9/20/1984	-0.6%	-0.2%	8.7%	8.1%
4/25/1985	15.6%	4.4%	32.1%	52.7%
7/7/1989	19.5%	9.9%	10.3%	31.9%
4/9/1995	13.0%	8.1%	29.6%	46.4%
1/3/2001	-3.7%	-17.9%	-13.5%	-16.7%
9/8/2007	15.0%	-4.9%	-23.9%	-12.5%
8/1/2019	5.0%	3.2%	10.8%	16.3%
Average	**8.5%**	**2.2%**	**11.3%**	**21.0%**
Excluding Tech Bubble and GFC	**9.5%**	**6.7%**	**21.3%**	**32.9%**
Latest	**25.4%**			

Sources: BMO Capital Market Investment Strategy Group, FactSet.
*Represents the total price return for the period 12 months prior and following the initial Fed rate cut

CHART 6

Exhibit 2: S&P 500 Gains an Average of 11.3% One Year After Initial Fed Rate Cut



Sources: BMO Capital Marckets Investment Strategy Group, FactSet.

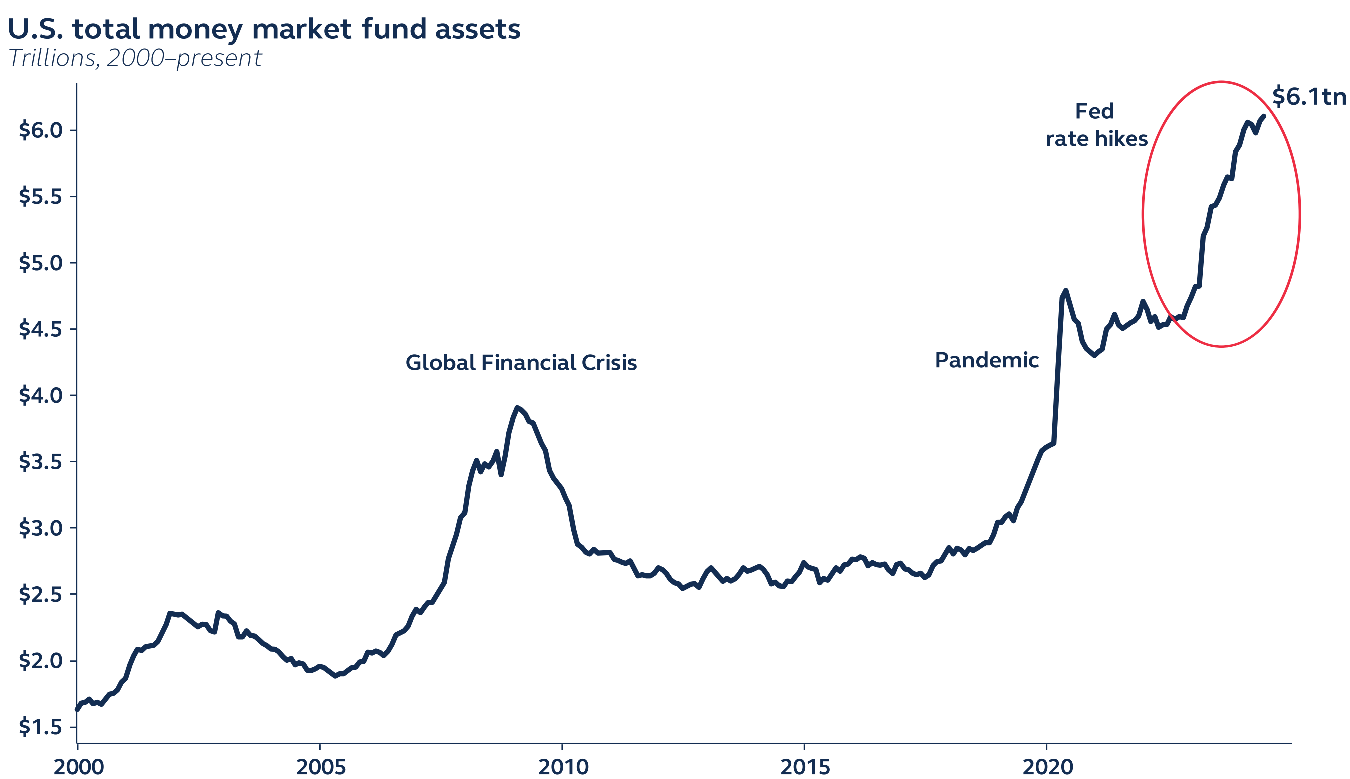
In two of the last three rate-cutting cycles, the S&P generated a negative return over the following 24 months. While the S&P outperformed in the 1985 and 1995 rate-cutting cycles, the opposite happened in the 2001 and 2007 cycles. A soft landing is by no means automatic, especially when the markets are already at or near all-time highs, like in 2007, or when P/E ratios are off the charts, as in 2001, coming out of the dotcom era.

What is clear to me today is that we are at all-time highs; but for the exception of the "*Magnificent 7*" (Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta and Tesla), P/E ratios are not excessive, creating investment opportunities. Furthermore, dividend growth stocks, which have been ignored during the last rate hike cycle, look very attractive today ahead of the cost-cutting cycle.

CONCLUSION

In my 42 years in this business, I don't recall a Bull market that has survived a brutal Fed tightening cycle like this one has (thanks to the *Magnificent 7*). Was it completely offset by the unprecedented fiscal support from the U.S. Treasury and government spending? This may come back to haunt us at some point, but as long as the economy keeps growing, everything should be fine... As long as we can improve the balance sheet, reduce the deficit, and ultimately pay down debt, right? – right! – then the Bear should be kept in check! This Bull market has been one with the fewest believers... just look at the amount of cash sitting in money market funds! (**Chart 7**)

CHART 7



Source: Clearnomics, Federal Reserve, Investment Company Institute, Bloomberg, Principal Asset Allocation. Data as of June 30, 2024.

This money has enjoyed a decent return, which is now melting away as it generates a negative real return (after tax and inflation) going forward. It may wind up chasing the market, but it's been acting like the Turtle! Money keeps being added to money market funds and barely moving! How smart is that? Many investors got burned on bonds and bond funds in 2022… As such, many investors had the "Turtle reflex" of hiding their funds in a money-market shell, cashable at anytime, and earning 5% with no risk or volatility since then… but now they'll be getting 4.5%, 4%, 3%… Some of this cash may be invested in real estate, but there is a scarcity of new homes, inventories are low, and prices are high… Then what? Some of it, and perhaps most of it, will stay there for balancing purposes, cash flow, family donations to help buy first homes, etc. Some of it, along with new savings, will find its way into the market as fundamentals become more compelling and pessimism fades.

In 2022, as interest rates rose, pessimism grew. In 2023, the counter-market move surprised the most pessimistic and was led by the AI-driven momentum. Meanwhile, the economy was growing but at a slowing pace. This helped feed the growing belief that a recession was in the making. Apart from the "*Magnificent 7*", markets were somewhat sluggish accompanied by acceptable earnings results.

P/E ratios of small- and mid-cap companies contracted to more attractive levels. Now the Fed is loosening its monetary policy, and that could and should restore confidence for the first time since early 2022, when inflation picked up and interest rates rose at the fastest pace in history.

Going forward, broader investment participation can be expected as renewed optimism sets in, perhaps to the detriment of the somewhat overpriced "*Magnificent 7*", but bullish overall. Fed easing, falling short-term bond yields, rising money growth, and disinflation should all help restore confidence — the necessary ingredient for Bull markets to expand.

Wages have adjusted upward over the last couple of years, and as inflation pulls back, wage growth will catch up and become "real" to consumers, further supporting confidence and spending in what truly feels like the start of a new, broad Bull market. Remember that Bull markets never end in the presence of pessimism and never begin at a peak of optimism and euphoric buying panic but rather the opposite. However, markets are currently trading at near all-time highs as consumer and investor confidence is low. This phenomenon could be the result of the AI revolution driven by the *Magnificent 7*, which represented 35.5% of the S&P on July 9th, and at roughly 31% today, with the markets still moving the needle to new highs. Perhaps this adjustment is the beginning of the new trend and the signal, if not the proof that confidence is growing again and that investors can look forward to a broader-based growth potential as small- and mid-cap stocks trade at more attractive multiples.

The deceleration in U.S. inflation has slowed, which could weigh on the Fed's future decisions on the pace and depth of interest rate cuts. Core inflation in the U.S. currently stands at 3.2%, according to the Labor Department. Meanwhile, Canadian inflation fell for the third month in August to 2.5% (see **Chart 2**). These inflation results support the Bank of Canada's more dovish stance with its third 25 basis point cut since June 2024, while the U.S. did not implement its first cut until September 18. Some sectors of the U.S. economy are suffering from excessively high interest rates, particularly commercial real estate (CRE) and the regional banks that financed nearly 70% of those CRE mortgages and loans. A yield curve that moves from negative to flat and toward normalization contributes to a growing economy and eases pain in the financial sector.

In addition, the U.S. has also fallen far behind in housing supply since the 2008-09 financial crisis, and lower rates would come in handy for both homebuyers and builders. Lower rates would also help small businesses, which have been hurt by wage pressures, to hire or retain staff.

Remember that the number one goal of a central bank is to keep inflation in check. I believe the pace of rate cuts in the U.S. may be slower if inflation numbers remain at the high end of the target range.

So, the Bear has had a rough summer and is slowly but surely approaching its seasonal nap. Meanwhile, the Bull is getting a booster shot (lower interest rates) that should keep it going well into next year.

What about the Turtle? Is it about the rate at which interest rates will fall? Or inflation? Or the speed at which the skeptics of this Bull market will remain confounded, and the pessimists become optimists? Regardless, the Turtle wins!

Like the Turtle, patient investors with a balanced approach – or a strong shell – tend to underperform in Bull markets and outperform in Bear markets. Combined with a well-thought-out tax optimization plan, an investor can achieve a great total after-tax return (dividends plus capital gains) in a falling interest rate environment. High dividend stocks should benefit most from the new interest rate trend… no stress, “slowly but surely“, always in balance like the Turtle!

SEPTEMBER 2024

Reference Portfolio[1]

High yield equities

Stocks and sectors	Country	ESG[3]	Symbol	Price	Yield	Beta	Income Oriented PTF.	Growth Oriented PTF.	Note	Recommendation[2]	Update Letter 72
Communication Services											
BCE Inc.	CAN	BBB	BCE-TSE	$47.02	8.49%	0.32	X	X		Hold/Buy	
TELUS Corporation	CAN	A	T-TSE	$22.69	6.63%	0.56	X	X		Hold/Buy	
Consumer Discretionary											
Canadian Tire Corporation, Limited Class A	CAN	AA	CTC.A-TSE	$162.09	4.32%	1.04	OTR	OTR		Hold	
Consumer Staples											
PepsiCo, Inc.	USA	AA	PEP-USA	$170.05	3.19%	0.10	X		TSO	Hold	
Energy											
TC Energy Corporation	CAN	AA	TRP-TSE	$58.56	6.56%	0.59	X	X		Hold/Buy	√
Enbridge Inc.	CAN	AA	ENB-TSE	$54.94	6.66%	0.42	X	X		Hold/Buy	
Pembina Pipeline Corporation	CAN	AA	PPL-TSE	$55.75	4.95%	0.49	X			Hold/Buy	
Canadian Natural Resources Limited	CAN	AA	CNQ-TSE	$44.91	4.68%	1.24	OTR	X		Buy	√
Chevron Corporation	USA	A	CVX-USA	$147.27	4.43%	0.41		X		Hold/Buy	
Suncor Energy Inc.	CAN	A	SU-TSE	$49.92	4.37%	1.03	X	X		Hold/Buy	
Financials											
Bank of Montreal	CAN	AA	BMO-TSE	$122.04	5.08%	1.16	X	X		Hold/Buy	
Bank of Nova Scotia	CAN	AAA	BNS-TSE	$73.69	5.75%	0.89	X	X	TSO	Hold	
Royal Bank of Canada	CAN	AA	RY-TSE	$168.80	3.36%	0.85		X		Hold/Buy	√
Toronto-Dominion Bank	CAN	AA	TD-TSE	$85.52	4.77%	0.87	X	X		Buy	
National Bank of Canada	CAN	AAA	NA-TSE	$127.74	3.44%	0.60	OTR	X		Hold/Buy	
Manulife Financial Corporation	CAN	AA	MFC-TSE	$39.97	4.00%	1.09	X	X		Hold/Buy	
Sun Life Financial Inc.	CAN	AAA	SLF-TSE	$78.45	4.13%	0.84	OTR	X		Hold/Buy	
Power Corporation of Canada	CAN	A	POW-TSE	$42.66	5.27%	0.80	X			Hold/Buy	
iA Financial Corporation Inc.	CAN	AA	IAG-TSE	$112.10	2.93%	0.84	X			Hold/Buy	
Health Care											
Pfizer Inc.	USA	A	PFE-USA	$28.94	5.81%	0.25	X	X	TSO	Hold/Buy	
Johnson & Johnson	USA	A	JNJ-USA	$162.06	3.06%	0.06	X	X	TSO	Hold/Buy	
AbbVie, Inc.	USA	BBB	ABBV-USA	$197.48	3.14%	0.25	X	X		Hold/Buy	
Chartwell Retirement Residences	CAN	N/A	CSH.UT-TSE	$15.58	3.93%	0.76	X			Hold	
Industrials											
Canadian National Railway Company	CAN	A	CNR-TSE	$158.37	2.13%	0.86	X	X		Buy	√
Information Technology											
Cisco Systems, Inc.	USA	AA	CSCO-USA	$53.22	3.01%	0.65	X		TSO	Hold/Buy	
Materials											
Labrador Iron Ore Royalty Corporation	CAN	N/A	LIF-TSE	$32.16	8.71%	0.79	X			Hold/Buy	
Nutrien Ltd.	CAN	AA	NTR-TSE	$64.99	4.48%	1.23	X	X		Buy	
Real Estate											
Canadian Apartment Properties R.E.I.T.	CAN	BBB	CAR.UT-TSE	$54.99	2.64%	1.14	X			Hold/Buy	√
Simon Property Group, Inc.	USA	BBB	SPG-USA	$169.02	4.85%	0.88		X		Hold/Buy	
Utilities											
Innergex Renewable Energy Inc.	CAN	N/A	INE-TSE	$10.47	3.44%	1.63	X		TSO	Hold/Buy	
Emera Incorporated	CAN	AA	EMA-TSE	$53.29	5.39%	0.86	X			Buy	
Fortis Inc.	CAN	AA	FTS-TSE	$61.45	4.00%	0.52	X			Hold/Buy	√
Northland Power Inc.	CAN	N/A	NPI-TSE	$23.33	5.14%	1.10	X	X		Buy	√
NextEra Energy, Inc.	USA	AA	NEE-USA	$84.53	2.44%	0.49		X		Hold/Buy	√
Hydro One Limited	CAN	AA	H-TSE	$46.88	2.53%	0.52	X	X		Hold/Buy	
Brookfield Infrastructure Corp. Class A	CAN	N/A	BIPC-TSE	$58.73	3.72%	1.63	X	X		Buy	
Brookfield Renewable Corp. Class A	USA	AA	BEPC-TSE	$44.16	4.11%	1.43	X			Hold/Buy	
AVERAGE YIELD AND BETA					**4.47%**	**0.79**					

Legend:

[1] This fictive reference portfolio represents the platform from which we build individual personalized portfolios that relates to clients' specific needs.

[2] Refer to disclaimer at the end of the document.

[3] This information is subject to MSCI's ESG Rating system. Rated from CCC to AAA.

SEPTEMBER 2024

Reference Portfolio[1]

Growth and Income Equities

Stocks and sectors	Country	ESG[3]	Symbol	Price	Yield	Beta	Income Oriented PTF.	Growth Oriented PTF.	Note	Recommendation[2]	Update Letter 72
Communication Services											
Alphabet Inc. Class C	USA	BBB	GOOG-USA	$167.19	0.48%	1.27	X	X		Buy	√
Consumer Discretionary											
Amazon.com, Inc.	USA	BBB	AMZN-USA	$186.33	0.00%	1.49	X	X		Hold/Buy	√
Home Depot, Inc.	USA	AA	HD-USA	$405.20	2.22%	0.92	X	X		Hold/Buy	√
McDonald's Corporation	USA	AA	MCD-USA	$304.51	2.33%	0.34		OTR		Hold/Buy	
Consumer Staples											
Alimentation Couche-Tard Inc.	CAN	AA	ATD-TSE	$74.77	0.94%	0.58	X	X	TSO	Hold/Buy	√
Costco Wholesale Corporation	USA	A	COST-USA	$886.52	0.52%	0.86	OTR	X		Hold	√
Dollarama Inc.	CAN	AA	DOL-TSE	$138.54	0.27%	0.45	X			Hold	
Metro Inc.	CAN	A	MRU-TSE	$85.49	1.57%	0.44		X	TSO	Hold/Reduce	
Procter & Gamble Company	USA	A	PG-USA	$173.20	2.32%	0.04	X		TSO	Hold/Reduce	
Walmart Inc.	USA	BBB	WMT-USA	$80.75	1.03%	0.29	OTR	X		Hold/Buy	√
Loblaw Companies Limited	CAN	A	L-TSE	$180.08	1.14%	0.49	X		TSO	Hold/Reduce	
Energy											
ARC Resources Ltd.	CAN	AAA	ARX-TSE	$22.86	2.97%	1.16	X			Hold/Buy	√
Financials											
Bank of America Corp	USA	A	BAC-USA	$39.68	2.62%	0.85	X	X		Hold/Buy	
Brookfield Corporation	CAN	AA	BN-TSE	$71.83	0.60%	1.78	X			Hold	√
Mastercard Incorporated Class A	USA	AA	MA-USA	$493.80	0.53%	0.69		X		Hold/Buy	√
Intact Financial Corporation	CAN	AA	IFC-TSE	$259.70	1.86%	0.66	X	X		Hold/Buy	√
Health Care											
Abbott Laboratories	USA	BB	ABT-USA	$114.01	1.93%	0.17		X		Hold/Buy	
Eli Lilly and Company	USA	A	LLY-USA	$885.94	0.59%	0.88	OTR	X		Hold/Buy	
Industrials											
Caterpillar Inc.	USA	AA	CAT-USA	$391.12	1.44%	1.22		X		Hold/Buy	
Canadian Pacific Kansas City Limited	CAN	A	CP-TSE	$115.67	0.66%	1.01	X	X		Buy	√
ABB Ltd. Shs Sponsored A.D.R.	SWISS	AAA	ABBNY-USA	$58.08	1.32%	0.61		X		Hold/Buy	√
RTX Corporation	USA	A	RTX-USA	$121.16	2.08%	0.19	X	X		Hold/Buy	
CSX Corporation	USA	A	CSX-USA	$34.53	1.39%	0.63	X		TSO	Hold/Reduce	
Stantec Inc	CAN	AA	STN-TSE	$108.76	0.77%	0.62	X	X		Buy	
WSP Global Inc	CAN	AA	WSP-TSE	$240.28	0.62%	0.99	X	X		Hold/Buy	
Information Technology											
Palantir Technologies Inc. Class A	USA	B	PLTR-USA	$37.20	0.00%	2.47		OTR		Hold/Buy	
Apple Inc.	USA	BBB	AAPL-USA	$233.00	0.43%	1.02	OTR	X	TSO	Hold/Buy	
Advanced Micro Devices, Inc.	USA	AA	AMD-USA	$164.08	0.00%	2.30		X		Buy	
Salesforce, Inc.	USA	AA	CRM-USA	$273.71	0.58%	1.38		X		Hold/Buy	
CGI Inc. Class A	CAN	AA	GIB.A-TSE	$155.62	0.00%	0.67	X			Hold/Buy	√
Microsoft Corporation	USA	AA	MSFT-USA	$430.30	0.77%	1.08	X	X	TSO	Hold/Buy	√
NVIDIA Corporation	USA	AAA	NVDA-USA	$121.44	0.03%	2.71	OTR	X		Hold	
Palo Alto Networks, Inc.	USA	AA	PANW-USA	$341.80	0.00%	1.29	OTR	X		Hold/Buy	
Materials											
Agnico Eagle Mines Limited	CAN	AA	AEM-TSE	$108.95	1.98%	1.22	X			Hold/Buy	
Corteva Inc	USA	BBB	CTVA-USA	$58.79	1.16%	0.84		X		Hold/Buy	√
Lundin Mining Corporation	CAN	A	LUN-TSE	$14.17	2.54%	1.95	X			Buy	
Newmont Corporation	USA	AA	NGT-TSE	$72.31	1.88%	1.29	X			Hold/Buy	
Teck Resources Limited Class B	CAN	A	TECK.B-TSE	$70.64	0.71%	1.74		X	TSO	Hold/Buy	
AVERAGE YIELD AND BETA					**1.11%**	**1.02**					

OTR = Currently **O**n **T**he **R**adar, but not included in the model portfolio performance.
TSO = To be considered as a **T**ax **S**elling **O**ption.
Should you have any question regarding the content of this newsletter, please do not hesitate to contact us.

SEPTEMBER 2024

Reference Portfolio[1]

Mutual Funds and ETF's

Mutual Funds

Security Description	Currency	Symbol	Asset Allocation	Management Expense Ratio	Distributions
Dynamic Global Yield Private Pool Series F	CAD	DYN3909	60% Equity	0.91%	2.93%
Fidelity Balanced Currency Neutral Private Pool F	CAD	FID1667	60% Equity	0.94%	0.71%
Fidelity Balanced Income Currency Neutral Pvt P F	CAD	FID1668	40% Equity	0.89%	0.48%
TD Managed Maximum Equity Growth ETF Portfolio F	CAD	TDB3561	100% Equity	0.50%	1.39%
BMO Dividend Fund Series F	CAD	BMO95146	100% Equity	0.70%	3.21%
Fidelity Global Innovators Class Series F	CAD	FID5982	100% Equity	1.10%	0.19%
Fidelity Balanced Private Pool Series F	CAD	FID9618	60% Equity	0.91%	0.69%
Fidelity Balanced Income Private Pool Series F	CAD	FID9619	40% Equity	0.85%	0.47%

Exchange Traded Funds (ETFs)

Security Description	Currency	Symbol	Asset Allocation	Net Expense Ratio	Recommendation[2]
BMO S&P 500 Hedged to CAD Index ETF	CAD	ZUE-TSE	100% Equity	0.09%	Hold/Buy
BMO Low Volatility Canadian Equity ETF	CAD	ZLB-TSE	100% Equity	0.39%	Hold/Buy
BMO S&P/TSX Capped Composite Index ETF	CAD	ZCN-TSE	100% Equity	0.06%	Hold/Buy
BMO Nasdaq 100 Equity Hedged to CAD Index ETF	CAD	ZQQ-TSE	100% Equity	0.39%	Hold/Buy
BMO Equal Weight US Health Care Hedged to CAD Index ETF	CAD	ZUH-TSE	100% Equity	0.39%	Hold/Buy
iShares Core S&P 500 ETF	USD	IVV-USA	100% Equity	0.03%	Hold/Buy
Vanguard FTSE Canadian High Dividend Yield Index ETF	CAD	VDY-TSE	100% Equity	0.23%	Hold/Buy
SPDR S&P 500 ETF Trust	USD	SPY-USA	100% Equity	0.09%	Hold/Buy
iShares Core S&P 500 Index ETF (CAD-Hedged)	CAD	XSP-TSE	100% Equity	0.09%	Hold/Buy
iShares S&P Global Healthcare Index Fund (CAD-Hedged)	CAD	XHC-TSE	100% Equity	0.66%	Hold/Buy
iShares S&P/TSX Global Gold Index ETF	CAD	XGD-TSE	100% Equity	0.62%	Hold/Buy
BMO MSCI EAFE Hedged to CAD Index ETF	CAD	ZDM-TSE	100% Equity	0.26%	Hold/Buy
BMO Balanced ETF	CAD	ZBAL-TSE	60% Equity	0.22%	Hold/Buy
BMO Growth ETF	CAD	ZGRO-TSE	75% Equity	0.21%	Hold/Buy
BMO All-Equity ETF Trust Units	CAD	ZEQT-TSE	100% Equity	0.21%	Hold/Buy

Recommended Sector Weighting - October 2024

Geographics	Sectors	Income Oriented Portfolio	Growth Oriented Portfolio	Rational
North-American Equities	Communication Services	4.20%	4.00%	Canadian telecoms remain excessively oversold. They are our favourite yield play based on dividend growth history. Use current weakness to add to your positions to reach recommended weight.
	Consumer Discretionary	3.00%	6.00%	Stick with sector leaders and well-managed companies.
	Consumer Staples	5.00%	5.00%	Easing inflationary pressure in 2024 will likely be a key headwind within an already expensive sector.
	Energy	7.00%	6.75%	Fundamentally sound = deep value, strong cash generation; possible oil price weakness provides resistance. Stay with vertically integrated names and pipelines, presenting a Growth at a Reasonable Price (GARP) opportunity. Might be a good hedge against current instability in the Middle East.
	Financials	14.00%	17.50%	Pessimism is very present. Currently one of the best value propositions. Steadfastly maintaining holdings, especially those with large U.S. platforms.
	Healthcare	4.00%	5.00%	COVID-19 overhang hurting pharma; focus on value names with steady cash flow, dividends and stable earnings
	Industrials	8.00%	8.75%	Stock valuations are slowly becoming more attractive. Focus on railways, select manufacturers and those leveraged to U.S. Infrastructure, and energy infrastructure.
	Information Technology	7.00%	14.50%	Technology = Innovation = Long-term Growth - Not just about the "Magnificent Seven" – The AI megatrend is still a key but of greater importance is the sharpened selectivity and scrutiny required in selecting names in the space.
	Materials	4.50%	3.75%	We appreciate companies with strong operating efficiency and cash flow generation. Gold represents an attractive hedge against the market and the financial sector in the long-term. USD weakness might represent an opportunity for select commodities.
	Real Estate	2.00%	1.75%	Good hedge against inflation over the long-term. Leverage is a double-edged sword. In contrast to the Great Recession of 2008-2009, residential real estate is in better shape. Commercial real estate is still a concern but downward trends in interest rates is a positive for the sector; Focus on consistent payout in the long term.
	Utilities	5.00%	2.00%	Very oversold, multiples have come back to reality. Focus on free cash flow to provide for growing demand and finance future growth opportunities.
Other	International Equities (EAFE)	1.30%	0.00%	With downward pressure on USD emerging markets could be a good diversification. (EAFE - Europe, Asia, Far East)
Total Equities		**65.00%**	**75.00%**	**Average equity weighting**

The suggested weightings for an income-oriented portfolio and a growth-oriented portfolio are appropriate for portfolios comprised of 65% and 75% equities respectively. They should be adjusted based on your investor profile.

Reference Portfolio stock selected updates

Stocks Update (please click here)

ABB Ltd.
Amazon.com, Inc.
ARC Resources Ltd.
Alimentation Couche-Tard Inc.
Brookfield Corporation
Canadian Apartment Properties REIT
Canadian Natural Resources Ltd.
Canadian National Railway Company
Costco Wholesale Corporation
Canadian Pacific Kansas City Ltd.
Corteva Inc.
Fortis Inc.
CGI Group Inc.
Alphabet Inc.
Home Depot, Inc.
Intact Financial Corporation
Mastercard Incorporated
Microsoft Corporation
NextEra Energy, Inc.
Northland Power Inc.
Royal Bank of Canada
TC Energy Corporation
Walmart Inc.

*** **The updated research of these selected stocks is available online through our electronic version of this Newsletter. If you wish to have a paper copy, please contact us to get it by regular mail.**

Sources:

- Advisor.ca
- Bloomberg
- BMO Capital Markets Equity Research Reports
- BMO Capital Markets North American outlook
- BMO Financial Group Economic Outlook
- BMO Nesbit Burns Part Team, portfolio advisory team
- BMO NB Canadian Equities Guided Portfolio – September 2024
- BMO NB US Equities Guided Portfolio – September 2024
- BMO NB North American Equities Guided Portfolio – September 2024
- BNN
- ClearBridge Investments
- CNBC
- Dow Jones Newswires
- FACSET
- Federal Reserve Board
- Globe and Mail
- Goldman Sachs
- Independent Advisor Alliance
- Morgan Stanley
- Motley Fool Stock Advisor Canada
- Premier Miton Investors
- Principal Asset Management
- Regan Capital
- The High Tech Strategist
- The Leuthold Group
- The Mansion Global (UK)
- The Wall Street Journal
- Tradingview.com

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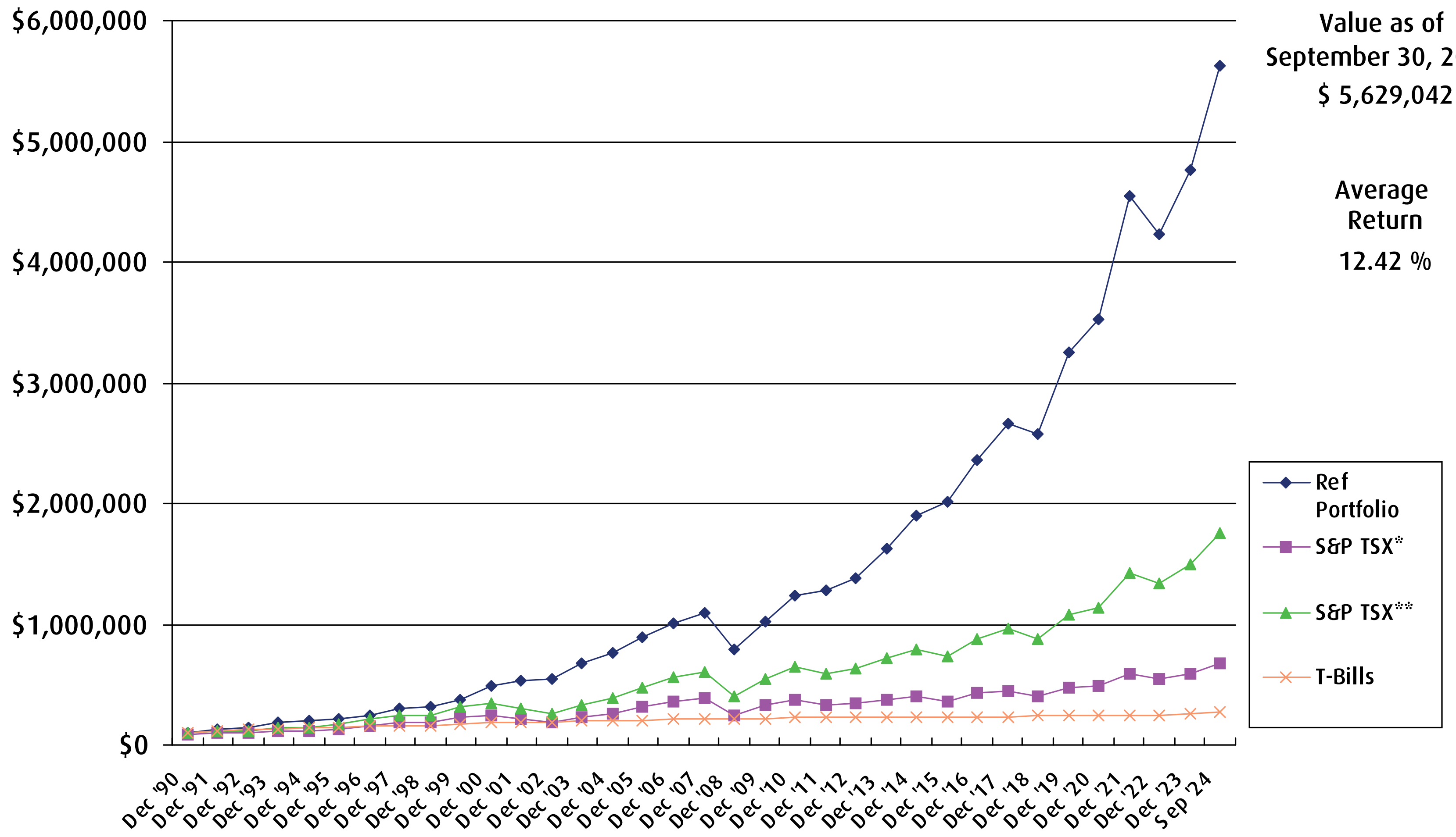
BMO Private Wealth

Reference Portfolio Return



$100,000 invested on June 1st 1990

The returns are compounded monthly and revenues are reinvested.

*Does not include income or div

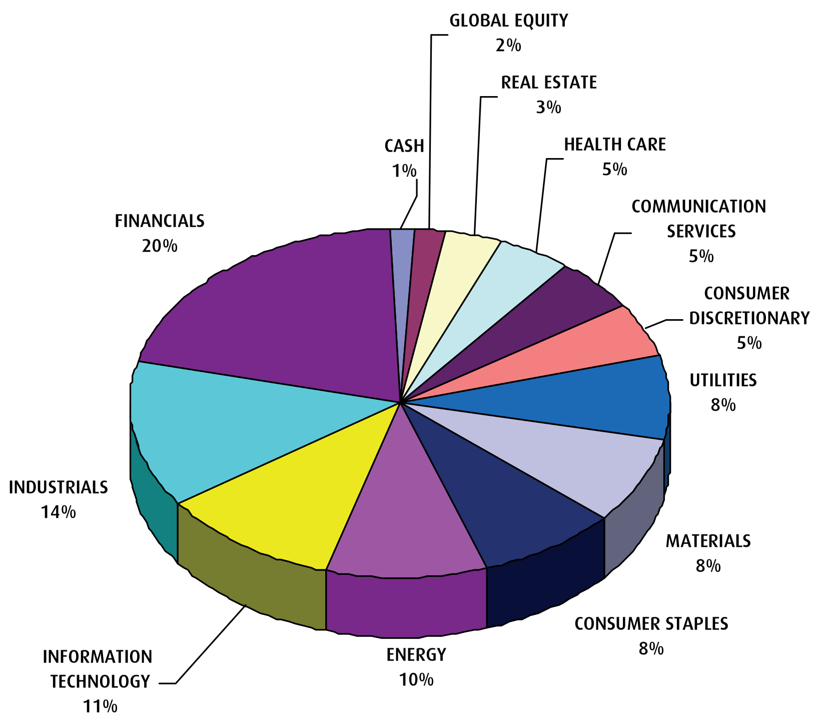
**Includes income and div

BMO Private Wealth

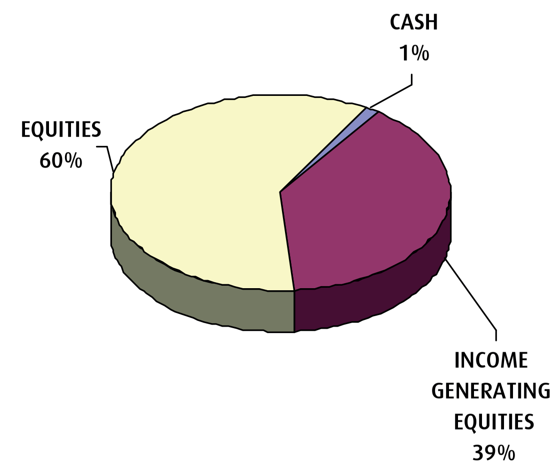
MDL Group

REFERENCE PORTFOLIO HOLDINGS AND ASSET MIX

September 2024



By Sub-Index %



By Category %

BMO Private Wealth

MDL Group

Performance - T-Bills vs SP TSX vs Reference Portfolio				
Year	T-Bills (return)	SP TSX[1]	SP TSX[2]	Portfolio(return)
1990	13.20%	-17.96%	-14.80%	**5.94%**
1991	9.35%	7.85%	12.02%	**22.14%**
1992	6.67%	-4.61%	-1.43%	**10.50%**
1993	4.68%	28.98%	32.55%	**34.91%**
1994	5.19%	-2.50%	-0.18%	**6.09%**
1995	6.42%	11.86%	14.53%	**8.09%**
1996	3.93%	25.74%	28.35%	**16.21%**
1997	2.85%	13.03%	14.98%	**21.05%**
1998	4.56%	-3.19%	-1.58%	**1.87%**
1999	4.67%	29.72%	31.71%	**19.96%**
2000	5.23%	6.18%	7.41%	**30.40%**
2001	3.73%	-13.94%	-12.57%	**9.54%**
2002	1.75%	-13.97%	-12.44%	**3.61%**
2003	2.22%	24.29%	26.72%	**22.23%**
2004	1.84%	12.48%	14.48%	**13.87%**
2005	2.53%	21.91%	24.13%	**15.73%**
2006	3.52%	14.51%	17.26%	**14.30%**
2007	3.59%	7.16%	9.83%	**8.06%**
2008	1.50%	-35.03%	-33.00%	**-28.07%**
2009	0.29%	30.69%	35.05%	**29.37%**
2010	0.60%	14.45%	17.61%	**21.05%**
2011	0.92%	-11.07%	-8.71%	**4.18%**
2012	0.97%	4.00%	7.19%	**7.38%**
2013	0.97%	9.55%	12.99%	**18.14%**
2014	0.92%	7.42%	10.55%	**16.43%**
2015	0.50%	-11.09%	-8.32%	**6.36%**
2016	0.50%	17.51%	21.08%	**16.75%**
2017	0.71%	6.03%	9.10%	**13.26%**
2018	1.40%	-11.64%	-8.89%	**-3.26%**
2019	1.67%	19.13%	22.88%	**26.19%**
2020	0.39%	2.17%	5.60%	**8.38%**
2021	0.13%	21.74%	25.09%	**28.72%**
2022	2.35%	-8.66%	-5.84%	**-6.94%**
2023	4.88%	8.12%	11.75%	**12.64%**
*2024	3.54%	14.51%	17.24%	**18.16%**
Return Compounded as of December 31st, 2023				
3 years	2.43%	6.33%	9.59%	10.50%
5 years	1.87%	7.91%	11.30%	13.03%
10 years	1.34%	4.40%	7.62%	11.32%
***Average return since inception (YTD)**				**12.42%**

* (YTD): Year To Date (September 30th, 2024)
$100,000 invested on June 1st, 1990
1: Does not include income or dividend
2: Includes income and dividend

The returns are compounded monthly and revenues are reinvested.

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