

2023 Economic Review and 2024 Forecast

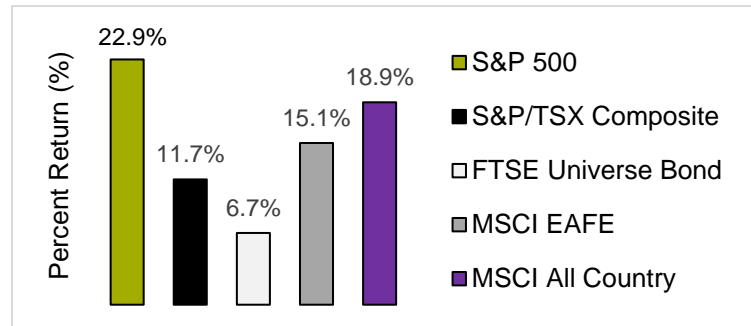
In a major turnaround from 2022, all major Markets around the world had positive returns for the year. The US stock market was the best performer, with the S&P 500 producing a gain of 22.9%.

The Canadian stock market posted a gain this year, with the S&P/TSX Composite Index posting a 11.7% increase.

The FTSE Universe Bond Index was positive for the first time in a couple of years, with a gain of 6.7%.

International markets posted a 15.1% gain for the MSCI EAFE Index, and the global equity benchmark, the MSCI All Country Index, posted a 18.9% gain.

The graph (right) indicates the one-year returns of these major market indices, as of December 31, 2023.



Factors affecting 2023 financial markets

- **Inflation:** Annual Canadian Inflation trending down throughout the year, ending at 3.1%.
- **Interest Rates:** Bank of Canada continued increasing rates for the first half of the year and paused these increases for the balance of the year in July at 5%.
- **Market Drivers:** In a reversal from 2022 where Energy was the one bright spot and Technology had a large drag on performance, 2023 was the opposite, with Technology and the “Magnificent Seven” (Apple, Alphabet, Amazon, Microsoft, Meta, Tesla and Nvidia) leading the way.
- **Value vs Growth investing:** Value was more in favour in 2022. In 2023, both performed well, but Growth led the way.

2024 forecast

- Inflation will hopefully continue its current downward path towards a 2% target.
- Interest rates may start to reduce in the second half of the year.
- If both inflation and interest rates behave as expected, we can expect the soft landing everyone is hoping for.
- For the last 2 years, fixed income and equity returns have been highly correlated. In 2024 we expect this to normalize.

Your portfolio review

With all types of investments showing positive returns in 2023, we suggest that you work with your financial advisor or with Reuter Benefits’ team of licensed professionals to periodically review your investment portfolio, to ensure you have the correct level of risk that is well positioned to withstand any market volatility. Reuter Benefits can be reached at 1-800-666-0142 or via email at retire@reuterbenefits.com.