

Weekly Market Recap

Jan 7, 2025



Our model portfolio returns

Model Portfolio	Last Week			Year-to-Date (YTD)		
	Optimize	Benchmark	Outperformance	Optimize	Benchmark	Outperformance
All Growth Portfolio	-0.06%	0.61%	-0.67%	-0.06%	0.86%	-0.92%
Growth Balanced Portfolio	-0.06%	0.60%	-0.66%	-0.06%	0.75%	-0.81%
Balanced Growth Portfolio	-0.05%	0.58%	-0.63%	-0.05%	0.62%	-0.67%
Income Balanced Portfolio	-0.03%	0.53%	-0.56%	-0.03%	0.31%	-0.34%
Income Portfolio	0.00%	0.50%	-0.50%	0.00%	0.07%	-0.07%

As of January 3, 2025

Key drivers to our outperformance

- Top Company: Enbridge Inc.

Enbridge Inc. boasts top-tier cash flow stability, with ~98% of EBITDA from contracted assets. Strategic acquisitions have enhanced its position in Permian egress and export, while the growing renewables and offshore wind businesses add further growth potential. With a low-risk mix of regulated gas distribution and power generation, Enbridge's risk profile remains among the lowest in the Energy sector. Looking ahead, there's clear visibility to steady growth and focus will be on executing its Local Distribution Companies (LDC) acquisition funding plan and continued operational execution.
- Top Sector: Energy

Energy equities were the best-performing sector last week, posting a gain of 3.38%, as the sector anticipates regulatory easing from President-elect Donald Trump. The U.S.'s emergence as a net energy exporter occurred largely during Trump's first term. In his second term, Mr. Trump prioritizes America's energy independence through higher production, lower costs, and by making the U.S. a net energy-product exporter.
- Top Asset Class: U.S Equities

U.S. equities remain our top asset class, driven by their unmatched depth, stability, and consistent earnings growth. The U.S. continues to hold a dominant share of the global equity market, attracting investors with its leadership in key sectors such as Technology, Financials, and Consumer Goods. Supported by a resilient economic backdrop and solid consumer spending, U.S. large-cap equities offer compelling opportunities for long-term growth while navigating evolving market conditions.

Model Portfolio	Returns (YTD)	Outperformance (YTD)	Upside Capture	Downside Capture
All Growth Portfolio	26.60%	5.91%	114.24%	37.65%
Growth Balanced Portfolio	25.71%	7.23%	120.20%	45.18%
Balanced Growth Portfolio	24.76%	8.63%	114.20%	54.20%
Income Balanced Portfolio	21.69%	11.20%	156.77%	65.51%
Income Portfolio	18.65%	12.47%	150.99%	48.61%

As of November 30, 2024

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Weekly insights

- U.S. FED Cut Policy Rate by 25bps, Ends 2024 with Signals of Additional 50bps Cut in 2025

U.S. Federal Reserve (FED) cut interest rates by 25 basis points during its December policy meeting, signaling a gradual pace of future rate cuts. The FED now projects an additional 50 basis points rate cut in 2025, with the policy rate expected to reach 3.9% by the end of 2025, 3.4% by the end of 2026, 3.1% by the end of 2027, and stabilize at the longer-term neutral rate of 3.0%. Economic data suggests that the U.S. economy remains in a strong position. U.S. GDP grew at an annualized rate of 3.1% in the third quarter, revised up from the previously reported 2.8%. The unemployment rate was revised downward to 4.2% for September. These indicators reflect a resilient U.S. economy, supporting the Fed's measured approach to monetary easing in the year ahead.

- Canada's Inflation Eases to 1.9%, Below Bank of Canada's Target Inflation

Canadian inflation fell below the Bank of Canada's target for the second time in three months, reflecting the success of its aggressive rate cuts. The Consumer Price Index (CPI) rose 1.9% year-over-year in November, down from 2% in October and below economists' target inflation expectations of 2%. Month-over-month inflation was flat in November, following a 0.4% increase in October. This data likely boosts the Bank of Canada's confidence in its rate cuts, which aim to stimulate economic growth without letting inflation exceed its 2% target. November's slower inflation was driven by lower travel tour prices, easing mortgage costs, and Black Friday discounts. However, grocery prices remained elevated, rising 2.6%.

- Earnings Estimates for Magnificent 7 Continue to Accelerate Higher

Earnings estimates for The Magnificent 7 continue to accelerate higher. As we enter 2025, the earnings outlook for U.S. equities appears robust. While earnings estimates for the broader market follow their typical pattern—rising sequentially year-over-year but at a gradual pace—the Magnificent 7 are in a league of their own. As shown in the chart below, earnings estimates for these stocks continue to accelerate higher. For now, the Mighty Magnificent 7 are outpacing the rest of the market. The Magnificent 7 includes Alphabet Inc., Amazon.com Inc., Apple Inc., Meta Platforms Inc., Microsoft Corp., NVIDIA Corp., and Tesla Inc.

What to look for next week

- U.S. JOLTS Job Openings

The December U.S. JOLTS Job Openings report will be released on Tuesday, January 7, providing insights into labour demand across key sectors and regions. In October, job openings rose to 7.7 million, exceeding expectations, with notable increases in professional services, food services, and information sectors. Markets will closely monitor the data for signs of continued strength in the labour market.

- Canada Unemployment Rate

On Friday, January 10th, Canada's unemployment rate for December will be released, providing insights into labour market trends. In November, the rate rose to 6.8%, accompanied by an increase in labour force participation, signaling more Canadians actively seeking job opportunities. This data will be monitored for its implications on economic stability and policy decisions.

- Key Corporate Earnings: Delta Airlines, Walgreens, and Aritzia.

This week, the focus will be on key companies releasing their earnings reports, including Delta Airlines (before market close on January 10, 2025), Walgreens (before market close on January 10, 2025), and Aritzia (after market close on January 9, 2025).

Source of All Economic Data: Bloomberg

“Risk comes from not knowing what you’re doing.”

- Warren Buffett