Optimize Wealth Management

Weekly Market Recap

Dec 3, 2024

Our model portfolio returns

Model Portfolio	Last Week			Year-to-Date (YTD)		
	Optimize	Benchmark	Outperformance	Optimize	Benchmark	Outperformance
All Growth Portfolio	1.13%	1.46%	-0.33%	27.49%	20.20%	7.29%
Growth Balanced Portfolio	1.11%	1.62%	-0.51%	26.50%	18.30%	8.20%
Balanced Growth Portfolio	1.09%	1.79%	-0.70%	25.50%	16.22%	9.28%
Income Balanced Portfolio	1.03%	2.22%	-1.19%	22.58%	11.08%	11.50%
Income Portfolio	0.97%	2.56%	-1.59%	19.65%	7.03%	12.62%

As of November 29, 2024

Key drivers to our outperformance

- **Top Company: Amazon.Com, Inc**

The hype surrounding Gen AI is real for Amazon Web Services (AWS). AWS's strong ecosystem and marketplace approach for Gen AI are expected to drive the next super-cycle of cloud migration, with the adoption of cloud computing accelerating rapidly than previous projections. AWS is well-positioned to benefit structurally, given its strength in data warehousing and solutions. Amazon's most recent Q3 earnings show AWS surpassing both Google Cloud and Microsoft Azure in year-over-year cloud revenue growth in U.S. dollars. Our significant allocation to Amazon reflects its strategic role in delivering long-term portfolio value.

- **Top Sector: Financials**

Financial stocks have seen significant gains since President-elect Trump's win in the U.S., as investors react to the expectation of a lighter regulatory approach from the newly elected administration. The sector thrived during the previous Trump administration, and this recent macro development has positioned large-cap financial stocks for increased profitability and growth. Our overweight allocation to this sector, relative to the benchmark, has positioned us to capture outsized returns as the sector benefits from improved efficiency and expanded market opportunities.

- **Top Asset Class: US Equities**

The U.S. continues to hold a dominant share of the global equity market, attracting investors worldwide with its depth and stability. This ongoing global interest reinforces the strength of U.S. large-cap equities, where we have a significant allocation to capture attractive growth opportunities. Key sectors such as Technology, Financials, and Consumer Goods are leading performance, further supporting our strategy in a market that remains a global investment hub.

Model Portfolio	Returns (YTD)	Outperformance (YTD)	Upside Capture	Downside Capture
All Growth Portfolio	22.81%	8.16%	117.18%	37.65%
Growth Balanced Portfolio	22.08%	9.04%	122.96%	45.18%
Balanced Growth Portfolio	21.29%	9.94%	116.32%	54.20%
Income Balanced Portfolio	18.73%	11.49%	158.59%	65.51%
Income Portfolio	16.19%	12.12%	151.45%	48.61%

As of October 31, 2024

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Weekly insights

- **US GDP Grows at a Healthy 2.8% Pace, Helped by Consumer Spending**

  The U.S. economy grew at a solid 2.8% annualized rate in Q3, driven by a 3.5% increase in consumer spending, the economy's primary growth engine, along with steady business investment. This growth underscores the resiliency of the economic expansion despite challenges such as price pressures, high borrowing costs, and political uncertainty. Corporate profit margins improved, with non-financial corporate profits as a share of gross value added edging up to 15.6% from 15.5% in Q2. The government's gross domestic income measure, which reflects income generation, also grew by 2.2%, reinforcing the economy's strength. As Donald Trump returns to the White House in January, businesses and consumers await details of his economic agenda, which could shape the next phase of growth.

- **Earnings Growth in Large Cap US Equities Broadening**

  Large-cap U.S. equities are experiencing a broadening of earnings growth. All U.S. equity sectors are now showing positive earnings growth for the next twelve months (NTM), with Information Technology, Health Care, and Communication Services demonstrating particularly strong NTM earnings growth. This broadening earnings growth underscores the resilience of large-cap U.S. equities and highlights opportunities for sustained growth in our portfolios. The chart reflects this expanded growth across sectors, reinforcing our strategic emphasis on U.S. large-cap exposure.

- **Equities Rally in Large Cap S&P 500 Spreads to Laggards**

  Equities Rally in the Large Cap S&P 500 index is no longer contained only in the Tech Sector and a select few names. As the bottom-tier stocks by market capitalization in the S&P 500 index begin to catch up fundamentally, their contribution to the rally becomes more significant. As shown in the chart below, the equal-weighted S&P 500 index has started to relatively outperform the market-cap-weighted index in the second half of the year and continues to maintain technical support. This trend indicates a healthy equity market rally, signaling that the rally is broadening to include the lagging members of the index.

What to look for next week

- **US JOLTS Job Openings**

  The latest Job Openings and Labour Turnover Survey (JOLTS) data will be released on Monday, December 2, 2024. September's report showed 7.443 million job openings, reflecting a more moderate demand for workers. The data will provide insights into labour market dynamics, with notable trends in health care, government, and growth in finance and insurance.

- **Canada Unemployment Rate**

  Canada's labour force data for November 2024 will be published on Friday, December 6. October's unemployment rate held steady at 6.5%, with youth employment gains supporting labour market resilience. The upcoming report will offer a clearer picture of employment trends as the year concludes.

- **Key Corporate Earnings: Salesforce, Lululemon, and Canadian Big Six Banks- RBC, TD, BNS, BMO, CIBC, NA**

  This week, the focus will be on key companies releasing their earnings reports, including Royal Bank of Canada (before market close on December 4, 2024), Toronto Dominion Bank (before market close on December 5, 2024), Bank of Nova Scotia (before market close on December 3, 2024), Bank of Montreal (before market close on December 5, 2024), Canadian Imperial Bank of Commerce (before market close on December 4, 2024), National Bank of Canada (before market close on December 4, 2024), Salesforce (after market close on December 3, 2024), and Lululemon (after market close on December 5, 2024).

"Price is what you pay, value is what you get."

- Warren Buffett

Source of All Economic Data: Bloomberg