# Optimize Wealth Management

# Weekly Market Recap

## Dec 10, 2024

## Our model portfolio returns

| Model Portfolio | Last Week | | | Year-to-Date (YTD) | | |
|---|---|---|---|---|---|---|
| | Optimize | Benchmark | Outperformance | Optimize | Benchmark | Outperformance |
| All Growth Portfolio | 2.17% | -0.02% | 2.19% | 30.27% | 20.20% | 10.07% |
| Growth Balanced Portfolio | 2.05% | 0.03% | 2.02% | 29.12% | 18.38% | 10.74% |
| Balanced Growth Portfolio | 1.93% | 0.11% | 1.82% | 27.96% | 16.43% | 11.53% |
| Income Balanced Portfolio | 1.66% | 0.30% | 1.36% | 24.66% | 11.57% | 13.09% |
| Income Portfolio | 1.40% | 0.43% | 0.97% | 21.37% | 7.73% | 13.64% |

As of December 6, 2024

## Key drivers to our outperformance

- **Top Company: Salesforce Inc**

  Salesforce, a pioneer in cloud computing, has grown into a $30B+ software company, partially at the expense of legacy vendors like Oracle, Microsoft, and SAP. As "The Customer Company," it is modernizing front-office systems for leading organizations, dominating multiple market segments. Its reach across both application and platform markets rivals that of Microsoft and Oracle. With over 300,000 registrations at its 2022 Dreamforce conference and strong ecosystem support, Salesforce is well-positioned to achieve its long-term goals while driving operational leverage and continued growth.

- **Top Sector: Consumer Discretionary**

  U.S. consumer sentiment surged to its highest level in November over the past two years. This boost in sentiment is supported by healthy consumer spending, as U.S. retail sales rose 0.4% in October, continuing the solid increase from the previous month's robust 0.8% gain. Additionally, the labour market showed strength, with Nonfarm payrolls rising by 227k in November, particularly in areas like health care and hospitality. Discretionary equities are responding to the continued improvement in economic data, fueling a sharp rotational rally in the Consumer Discretionary sector relative to Consumer Staples. The sector emerged as the best-performing sector last week, posting a gain of 5.85%, marking the latest sign that solid consumer spending is driving steady economic growth.

- **Top Asset Class: US Equities**

  U.S. equities remain our top asset class, distinguished by their consistent earnings and revenue growth that continue to outpace global peers. The U.S. holds a dominant share of the global equity market, drawing investors with its depth, stability, and unmatched growth opportunities. Strong performance across key sectors like Technology, Financials, and Consumer Goods reinforces the market's leadership as a global investment hub. This broad-based strength, coupled with a resilient economic backdrop, underscores our significant allocation to U.S. large-cap equities, which remain central to our strategy for capturing long-term growth.
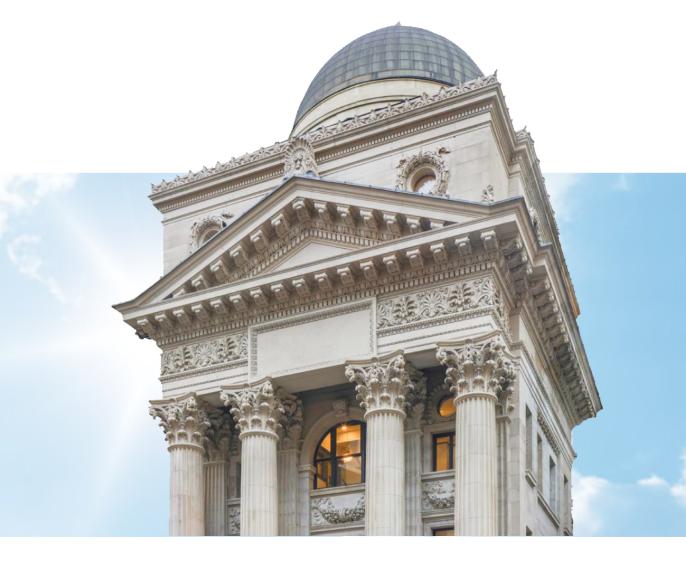
| Model Portfolio | Returns (YTD) | Outperformance (YTD) | Upside Capture | Downside Capture |
|---|---|---|---|---|
| All Growth Portfolio | 22.81% | 8.16% | 117.18% | 37.65% |
| Growth Balanced Portfolio | 22.08% | 9.04% | 122.96% | 45.18% |
| Balanced Growth Portfolio | 21.29% | 9.94% | 116.32% | 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

# Optimize Wealth Management

# Weekly Market Recap
Dec 10, 2024

## Weekly insights

- ### S&P 500 Historically Delivers Positive Returns After Reaching Major Milestone

  The S&P 500 Index has recorded 57 new all-time highs in 2024, most recently on Friday last week, and reached the significant 6,000 index level milestone for the first time on November 11. Historically, following a major index milestone, the S&P 500 has posted positive returns six months forward in every instance, with an average gain of 7.7%. Over the next 12 months, the index has recorded positive returns 80% of the time, with an average gain of 8.6%.

- ### U.S. Payrolls Bounce Back in November, Hiring Improves in Almost all Sectors

  U.S. job growth was brisk in November, as hiring activity rebounded from an October print disrupted by hurricanes and strikes. Nonfarm payrolls rose by 227k in November above the 220k consensus estimate from a weakened print of 36k in October. Payroll gains accelerated in November across most sectors led by the Health Care, Leisure and Hospitality Sectors. While most sectors improved in November, Retail Trade shed jobs. Growth in wages and hours helped boost US Aggregate Labor Income growth. November payroll data revealed that October's slowdown was driven by temporary disruptions from storms and strikes, rather than underlying economic weakness. Equities rejoiced at the payroll data, with the S&P 500 and the Nasdaq Composite closing at record highs on Friday.

- ### Discretionary Sector Sharp Rally Continues on Improved Jobs Data and Boosted Sentiment

  Consumer Discretionary stocks continued their strong momentum last week, posting a 5.85% gain and emerging as the best-performing sector. This rally comes as U.S. consumer sentiment surged to its highest level in two years in November, supported by healthy consumer spending. Retail sales in October rose by 0.4%, and with the fourth quarter historically being the peak for retail spending, October's data suggests a continued robust trend. Additionally, last week's strong payroll numbers further confirmed the resilience of the U.S. economy. Discretionary equities have responded to this improvement in consumer sentiment and spending, fueling a sharp rally in the sector. This marks the latest sign that solid consumer spending is not only driving steady economic growth but also fueling investor confidence in the U.S. economy.

## What to look for next week

- ### U.S. Inflation Data

  The latest Consumer Price Index (CPI) data will be released on Wednesday, December 11, 2024. October's report showed annual inflation rising to 2.6%, while core inflation held steady at 3.3%. This release will provide key insights into price trends and the potential impact on Federal Reserve policy as markets closely monitor inflation dynamics.

- ### Bank of Canada Interest Rate Decision

  The Bank of Canada will announce its interest rate decision on Wednesday, December 11, 2024. Following October's 50bps rate cut to 3.75%, policymakers signalled further easing if economic conditions align with expectations. Markets will watch for updates on inflation trends, consumption, and labour market dynamics, as the bank seeks to balance growth and price stability.

- ### Key Corporate Earnings: Broadcom, Costco, Adobe, and Oracle

  This week, the focus will be on key companies releasing their earnings reports, including Broadcom (after market close on December 12, 2024), Costco (after market close on December 12, 2024), Adobe (after market close on December 11, 2024), and Oracle (after market close on December 9, 2024).

  Source of All Economic Data: Bloomberg

> "The stock market is a device for transferring money from the impatient to the patient."
> - Warren Buffett