

**From:** Ermes Monaco <[e.monaco@iaprivatewealth.ca](mailto:e.monaco@iaprivatewealth.ca)>

**Sent:** September 11, 2024 9:47 AM

**To:** Ermes Monaco <[e.monaco@iaprivatewealth.ca](mailto:e.monaco@iaprivatewealth.ca)>

**Subject:** VALUED CLIENT MAIL LIST: Economic Outlook - Fall 2024



**TURNING THE CORNER (*Carefully*)**

**SOURCE:** *Google Images*

**THE DECLINE IN INTEREST RATES** by the Bank of Canada is now underway in response to decreasing inflation.

**THE CENTRAL BANK RATE WAS LOWERED** by a further 25 bps September 4 resulting in a total decline of 75 bps this year.



Source: *Trading Economics.com*

The Bank of Canada has taken this action gradually in small 25 bps. increments to avoid the possibility of a resurgence in consumer spending and costs of production. As a result, economic conditions remain largely unchanged at this time and it will be necessary to allow the stimulus of lower borrowing costs to allow conditions including unemployment, mortgage financing and cost of goods to improve.

**HOWEVER, THE BANK MAY HAVE BEEN TOO SUCCESSFUL IN ITS OBJECTIVE OF SLOWING GROWTH AND SPENDING AS IT POINTED TO THE POSSIBILITY IN ITS COMMENTS THAT THE ECONOMY IS WEAKER THAN ANTICIPATED AND TALKED OF THE RISK THAT INFLATION MAY FALL TOO QUICKLY.**

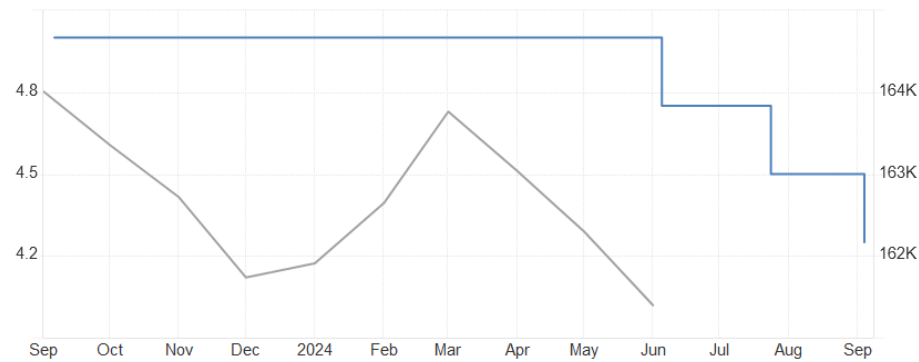
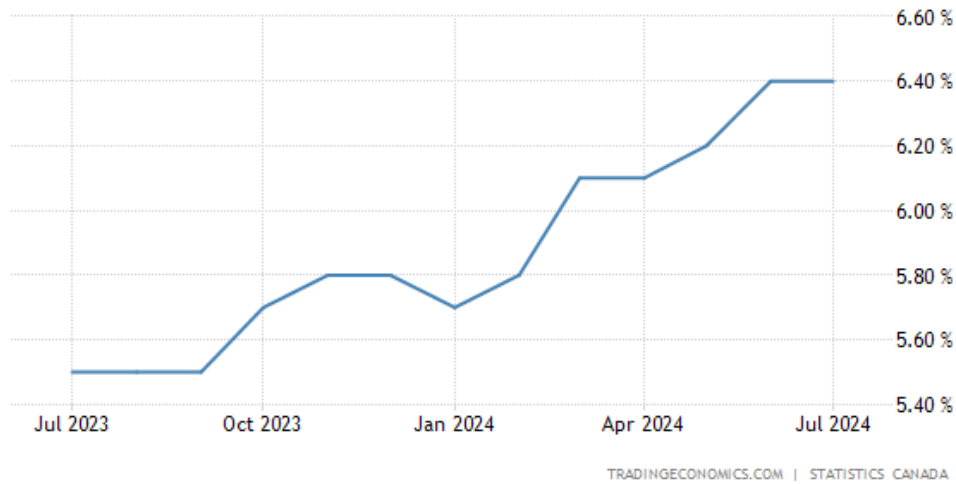
If this is the case we may see more frequent or even larger interest rate cuts until inflation stabilizes and growth recovers.

**IN THE MEANTIME, UNEMPLOYMENT AND THE REAL ESTATE SECTOR remain under pressure as lagging economic factors until the recovery trend resumes. The economy is recovering from a sort of “inflation fatigue”.**

**CANADA:**

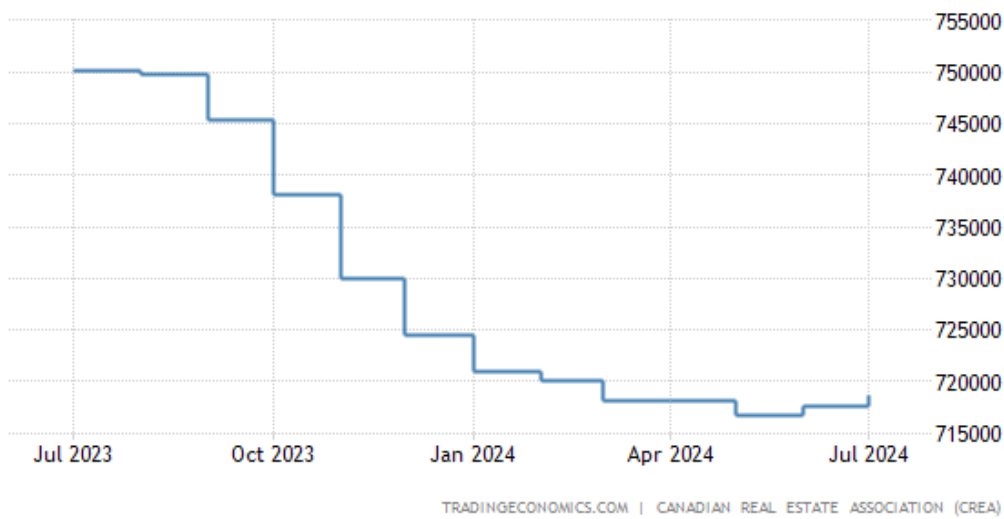
**Unemployment Rate Last 12 months:  
contribution to GDP:**

**Construction as a  
AVERAGE HOUSE PRICES**



Canada GDP From Construction (CAD Million) Value ▾ Line ▾ Zoom ▾ Trash

Canada Interest Rate (%) Value ▾ Step ▾ Zoom ▾



Source: *Trading Economics.com*

**RECOGNIZING THE PACE AND MAGNITUDE OF THE NEW ECONOMIC CYCLE TO BE MODEST WE SHOULD EXPECT CONDITIONS WILL SOFTEN FURTHER BEFORE WITNESSING STRONGER RECOVERY IN FUNDAMENTALS IN 2025.**

***IN ANTICIPATION WE SHOULD:***

- **Continue to take a systematic and measured re-balancing of the defensive component toward greater growth according to the rate of further interest rate declines.**
- **Maintain liquidity on a shorter term basis to have the ability to take advantage of the opportunities as they occur.**
- **Continue to hold only the highest quality core industrial names in key business sectors because of their resilience through cycles and ability to provide consistent growth over time.**
- **Identify key sectors at this time as those providing core services which have fallen out of favour such as power generation, healthcare, transportation, consumer staples and financials as more speculative sectors dominated the inflation cycle weaken.**
- **Recognize that speculative sectors such as gold, crypto currencies and expensive tech holdings which attracted capital and benefited from inflation as an alternative to the core economy during the period of weakness will now likely to continue to trend downwards as core economic recovery improves.**

**Importantly, A PROGRESSIVE RETURN TO A MORE BALANCED APPROACH BETWEEN DEFENSIVE AND GROWTH IS NOW APPROPRIATE AS DECLINING INTEREST RATES PERMIT.**

***Regards***

**Ermes Monaco, CIM<sup>®</sup>**  
**Portfolio Manager**

**iA Private Wealth | MONACO CAPITAL MANAGEMENT**  
2075 Kennedy Road, 5<sup>th</sup> Floor  
Scarborough, Ontario M1T3V3  
T: 416-412-4254 | [e.monaco@iaprivatewealth.ca](mailto:e.monaco@iaprivatewealth.ca)  
Toll free: 1-866-402-2641  
F: 416-412-4286 | [www.monacocapitalmanagement.ca](http://www.monacocapitalmanagement.ca)



***Note: This newsletter is proprietary and only for the benefit and use of clients of MONACO CAPITAL MANAGEMENT, iA Private Wealth.***

**This information has been prepared by Ermes Monaco who is a Portfolio Manager for iA Private Wealth® and does not necessarily reflect the opinion of iA Private Wealth®. The information contained in this newsletter comes from sources we believe reliable, but we cannot guarantee its accuracy or reliability. The opinions expressed are based on an analysis and interpretation dating from the date of publication and are subject to change without notice. Furthermore, they do not constitute an offer or solicitation to buy or sell any of the securities mentioned. The information contained herein may not apply to all types of investors. The Portfolio Manager can open accounts only in the provinces in which they are registered.**

iA Private Wealth Inc. is a member of the Canadian Investor Protection Fund and the **Canadian Investment Regulatory Organization**. iA Private Wealth is a trademark and business name under which iA Private Wealth Inc. operates.