

March 2023 Market Newsletter

February 28, 2023

Prepared by Andrew Kay, MBA, CFA, Senior Portfolio Manager
& Nathan Leveille, CFA, QAFP, Associate Portfolio Manager

Opening Comments

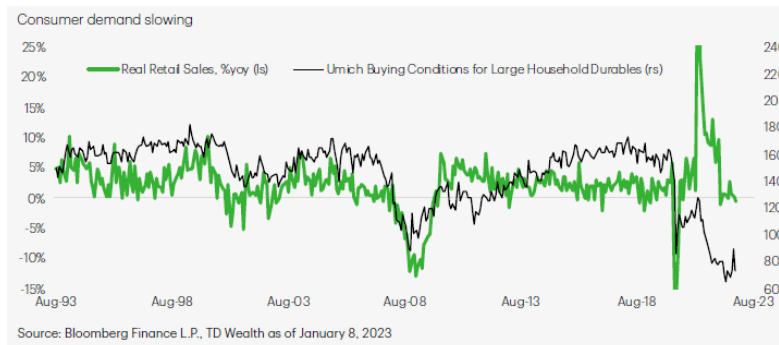
- We hope you enjoyed our inaugural newsletter last month. We received lots of positive feedback and look forward to delivering this to you all on a regular basis!
- If you are interested in continuing to receive these emails and have not already subscribed please respond to this note or email Nathan at Nathan.levaille@td.com to be added to the email distribution list.
- As we head into tax season we have included a separate attachment with this month's note, TD Asset Management's Tax & Retirement Planning Guide for 2023. This contains helpful information such as tax rates, registered plan limits, and CPP (Canada Pension Plan) and OAS (Old Age Security) payment guides.
- In particular we would like to note that the TFSA contribution limit for 2023 has been raised to \$6500. The limit is indexed to inflation to the nearest \$500 annually, and is perhaps one of the few positives to come from the rising inflation we have had of late. If you have not completed your 2023 TFSA contribution and would like to do so, please do not hesitate to reach out to us!

Noteworthy News

- The Canadian Consumer Price Index (CPI) rose 5.9% from a year ago, reported as of February 21st, 2023. While inflation is above the Bank of Canada's long term 2% target, this figure supports the views that inflation will likely decline this year.
- Food prices, which include groceries and food from restaurants, rose year over year 10.4% as of January, led by meat prices (7.3%), bakery products (15.5%), dairy products (12.4%), and fresh vegetables (14.7%). (Source: Statistics Canada Feb. 21, 2023)

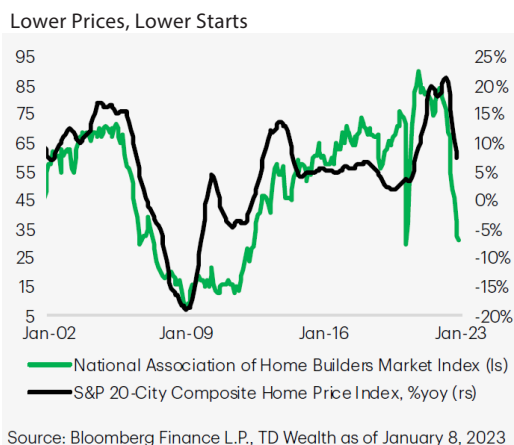
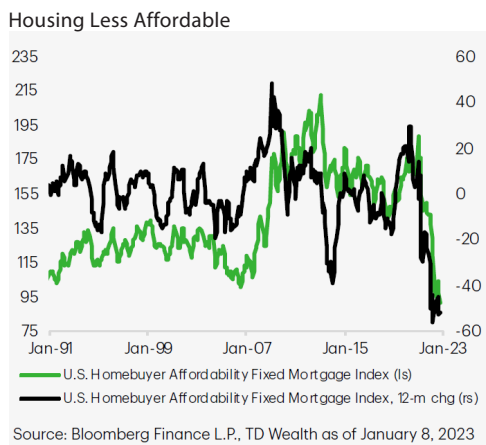
Looking Forward

- We expect the trend of economic normalization that started in 2022 will continue in 2023. Global growth is showing clear signs of slowing, and capital markets remain uncertain and volatile. The risk of recession remains elevated, and while the recent deceleration in inflation may have widened the path toward a "soft landing", it is unlikely to prompt a complete policy pivot or rate cuts in the near term. Interest rates may remain higher for longer which could keep financial conditions restrictive.
- Expectations for corporate earnings continue to decline, however, in our view, earnings growth projections for North American equities remain too optimistic given the deteriorating economic backdrop. We expect further downward earnings revisions to be a headwind to equity markets in the coming quarters.
- Over the next 12-18 months, we believe we will continue to see a broad range of opportunities in fixed income markets, with the potential for returns in the form of income as well as capital gains. We believe fixed income may outperform over this period. Bonds can also provide diversification benefits, reduce overall portfolio volatility, and preserve capital.



Real Estate

- Residential construction has been weak, and the inventory of unsold homes has started to grow. Although long-term yields and mortgage costs have come down from recent highs, housing affordability continues to worsen, sitting at a 30-year low. In fact, the deterioration in housing affordability in the U.S. is the sharpest it's been over the past three decades, and is unlikely to improve much this year, especially if the labour market starts to weaken.
- Residential property prices (or mortgage costs) will likely have to fall further before property-market activity can provide a boost to economic growth.



Closing Thoughts

- We continue to monitor inflation and its impact on your portfolio. If you have any questions about the material, or if you would like to discuss your portfolio with us, please reach out. Wishing everyone a great month of March! - Andrew & Nathan

Market Performance (Source: Bloomberg)			
	Feb. 28 2023	Dec. 31, 2022	YTD Change
Equity Index Update			
S&P 500	3970	3840	+3.4%
S&P/TSX Comp.	20221	19385	+4.3%
MSCI EAFE	2057	1944	+5.8%
Government Bond Yields			
U.S. 10-yr Treasury	3.93	3.88	+1.3%
Canada 10-yr Bond	3.34	3.30	+1.2%
Foreign Exchange Cross Rates			
C\$ (USD per CAD)	0.73	0.74	-1.4%
Euro (USD per EUR)	1.06	1.06	0.0%
Official Policy Rate Targets			
Central Banks		Current Target	
Federal Reserve (Fed Funds Rate)		4.5% - 4.75%	
Bank of Canada (Overnight Rate)		4.5%	

Andrew Kay, MBA, CFA
 Senior Portfolio Manager
 780-408-6124
andrew.kay@td.com

Nathan Leveille, CFA, QAFP
 Associate Portfolio Manager
 780-498-3558
nathan.levaille@td.com

Disclaimer

The information contained herein has been provided by Andrew Kay, Senior Portfolio Manager and Nathan Leveille, Associate Portfolio Manager and is for information purposes only. The information has been drawn from sources believed to be reliable. Graphs and charts are used for illustrative purposes only and do not reflect future values or future performance of any investment. The information does not provide financial, legal, tax or investment advice. Particular investment, tax, or trading strategies should be evaluated relative to each individual's objectives and risk tolerance. Certain statements in this document may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects", "anticipates", "intends", "believes", "estimates" and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest and foreign exchange rates, equity and capital markets, the general business environment, assuming no changes to tax or other laws or government regulation or catastrophic events. Expectations and projections about future events are inherently subject to risks and uncertainties, which may be unforeseeable. Such expectations and projections may be incorrect in the future. FLS are not guarantees of future performance. Actual events could differ materially from those expressed or implied in any FLS. A number of important factors including those factors set out above can contribute to these digressions. You should avoid placing any reliance on FLS. Index returns are shown for comparative purposes only. Indexes are unmanaged and their returns do not include any sales charges or fees as such costs would lower performance. It is not possible to invest directly in an index. Bloomberg and Bloomberg.com are trademarks and service marks of Bloomberg Finance L.P., a Delaware limited partnership, or its subsidiaries. All rights reserved. TD Wealth Private Investment Counsel represents the products and services offered by TD Waterhouse Private Investment Counsel Inc., a subsidiary of The Toronto-Dominion Bank. All trademarks are the property of their respective owners. *The TD logo and other TD trademarks are the property of The Toronto-Dominion Bank or its subsidiaries.