TD Wealth Private Investment Counsel

September 2023 Market Newsletter

September 1, 2023

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Opening Comments

- Our new website is live! The new website is redesigned from the ground up and was developed with you, our clients, in mind. The website features all of our recent newsletters to you, as well as other regularly updated market commentary and analysis from TD. Andrew's website can be accessed here and Nathan's can be accessed here, as well as with the links in our signatures at the bottom of this newsletter.

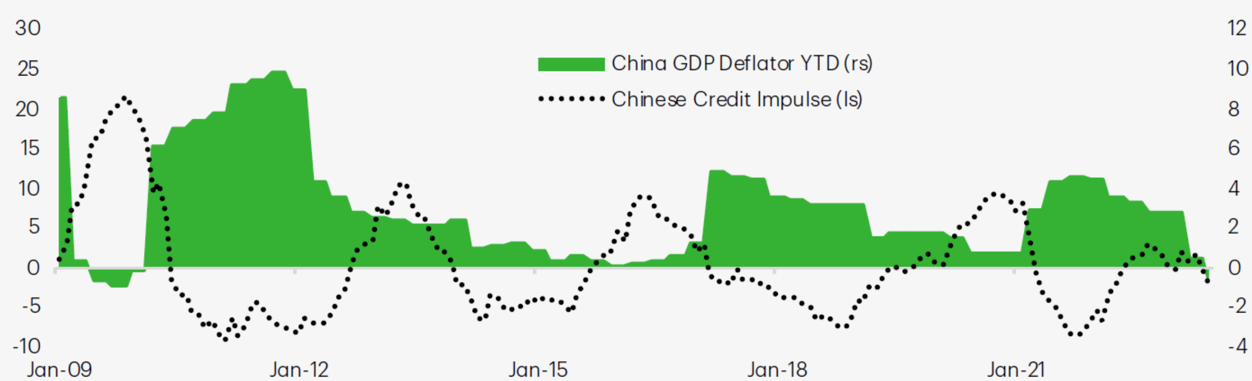
Noteworthy News

- US Federal Reserve Chair Jerome Powell said on August 25th that they may need to raise interest rates further to cool still-too-high inflation, promising to move with care at upcoming meetings. He noted that progress had been made on easing price pressures and risks from the resilience of the US economy.

Chinese Economic Volatility

- The PBOC (People's Bank of China) delivered a surprise rate cut in August as the world's second largest economy has stumbled under the weight of expectations.
- Demand for Chinese manufactured goods is slow, and the service sector cannot sustain the economy. There are a few thoughts to consider here (other than the obvious conclusion that this is a negative surprise for global growth).
- The first is that, while the weak recovery is bad news for global growth, it actually helps alleviate inflation pressure for the developed world. Previous boom-bust commodity cycles, especially for industrial metals, largely depended on the investment-led economic cycles in China. This time around, China has not stoked its economy by gobbling up commodities, which helps keep prices lower.
- Second, China is facing long-term structural challenges from declining demographic growth, a weak property sector and issues surrounding elevated local government debt. Forget about inflation, deflation may be the bigger concern with the GDP (Gross Domestic Product) deflator falling into contraction in the second quarter, a -1.5% yoy decline something not seen since the Great Financial Crisis in 2008.
- We feel that China's reopening is largely reflected in markets at this point, so we are moderating our exposure to China.

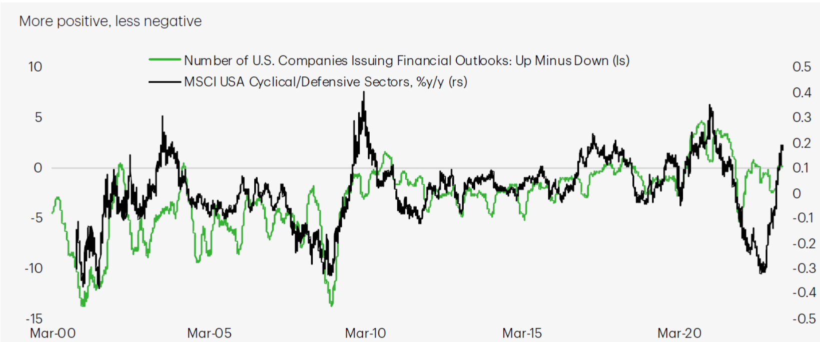
China is facing deflationary forces



Source: China National Bureau of Statistics, Wealth Investment Office, as of July 25, 2023.

Looking Forward

- The full effect of higher rates on the consumer and real estate market remains to be seen. As such, we anticipate that the Canadian economy will slow in 2023. However, strong free cash flows within the Energy sector, and relatively inexpensive Financial stocks, may present attractive opportunities.
- We remain concerned that U.S. earnings growth could be challenged as U.S. Federal Reserve rate hikes slow economic growth. The year-to-date returns on U.S. equities have been led by a few mega cap stocks. Valuations for the rest of the U.S. equity market are more reasonable, which offers some potential support for the stock market, even in a modest economic slowdown.
- Downward revisions to earnings estimates appear to have slowed, or possibly ended, and estimates are flattening out. There hasn't been a meaningful downgrade to 2023 estimates in several quarters. The number of U.S. companies issuing positive versus negative outlooks is improving, and cyclicals continue to outperform defensives.



Source: FactSet, Wealth Investment Office, as of July 17, 2023

Closing Thoughts

- As summer wraps up, we turn our attention to upcoming Bank of Canada and US Federal Reserve interest rate decisions in September. We hope everyone had a relaxing summer and wish everyone the best as we transition into fall! - Andrew & Nathan

Market Performance (Source: Bloomberg Finance L.P.)			
	Aug. 31 2023	Dec. 31, 2022	YTD Change
Equity Index Update			
S&P 500	4508	3840	+17.4%
S&P/TSX Comp.	20293	19385	+4.7%
MSCI EAFE	2109	1944	+8.5%
Government Bond Yields			
U.S. 10-yr Treasury	4.11	3.88	+0.23
Canada 10-yr Bond	3.56	3.30	+0.26
Foreign Exchange Cross Rates			
C$ (USD per CAD)	0.74	0.74	0.0%
Euro (USD per EUR)	1.08	1.06	+1.9%

Official Policy Rate Targets Central Banks	Current Target
Federal Reserve (Fed Funds Rate)	5.25% - 5.50%
Bank of Canada (Overnight Rate)	5.00%

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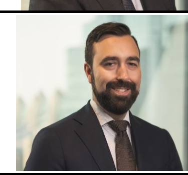

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Sources quoted include TD Asset Management and Bloomberg Finance L.P. Additional sources include TD Wealth Investment Office Portfolio Strategy Quarterly Q3 2023, TD Wealth Asset Allocation Committee Perspectives August 2023, the US Federal Reserve, and the Bank of Canada. 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. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the fund facts and prospectus, which contain detailed investment information, before investing. Mutual funds are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the fund will be able to maintain its net asset value per unit at a constant amount or that the full amount of your investment in the fund will be returned to you. Past performance may not be repeated. 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.