

# The Dream Achiever



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*"Time will pass and seasons  
will come and go."  
~Roy Bean*

## Night and Day

The beginning and the end of 2023 were like night and day for investors. The year started with trepidation after a turbulent 2022 but ended with optimism as inflation eased and equity markets posted solid returns.

This was a comeback year as U.S., Canadian, and global equities ended the year with double-digit gains. U.S. stocks ended 2023 near all-time highs. Many sectors contributed but again tech was the standout performer, a major reversal from its 2022 slump. Bond markets are also looking attractive as yields are healthy and the markets are predicting rate cuts in 2024.

The Canadian TSX composite finished the year with a Q4 gain of 5.34% resulting in an annual return of 10.44%. The US S&P 500 (in CAD\$) was up 8.49% in Q4 finishing the year up 20.90%, MSCI World Index(in CAD\$), which measures equity results in 23 developed markets around the world, was up 8.78% in Q4 for an annual return of 21.08%, and FTSE Canadian (GBI CAD) Bond Index was up a strong 7.27% in Q4 avoiding a third straight negative calendar as it squeaked out an annual return of 4.88%.\* The CAD\$ versus the USD\$ was up +2.4% in the quarter to finish up 2% for the calendar year 2023.



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There were a number of market-friendly Canadian and U.S. economic indicators. Job creation in both nations was resilient but did start to cool from Q3 along with wage growth. This was viewed positively by the Fed and Bank of Canada as they continue to engineer an economic slowdown, which they see as a necessary evil to curb inflation. Central banks also monitor job and wage growth for signs of inflation.

U.S. and Canadian consumer spending remained healthy, Canadian homes sales finally started to slow, while U.S. GDP grew at a respectable rate. In Europe, manufacturing and service sector activity in the eurozone and the U.K. softened - another positive indicator in the inflationary fight. This slowdown was also evident in China's exports, which declined, highlighting a decrease in global demand.

Currency markets saw the loonie up against the US dollar, euro and pound but down versus the yen. The US dollar, considered a safe-haven asset, initially rallied on relative U.S. economic strength, elevated yields and geopolitical tensions. It then weakened as yields fell and investors became more confident Fed policy is working. More emphasis is placed on Fed signals driving currencies than other central banks.

U.S. inflation fell steadily from 7.1% at the start of 2023 to 3.3% by year end. This was largely due to declining energy prices and stabilizing food prices. However, housing costs remain problematic but are expected to slow, underscoring the patience and time needed to curb inflation. The Fed raised its target interest rate by 25 basis points four times during the year - twice in Q1, once in Q2 and once at beginning of Q3. The Fed then held rates steady for the remainder of 2023. In December, while discussing the progress on fighting inflation so far, Fed chair Powell said the prospect of future rate increases is unlikely.

Inflation cooled in Canada from 6.8% at the turn of the year to 3.1% by the end. In Q3, it even briefly fell to 2.8%, back within the Bank of Canada's 1-3% range and close to its 2% target. Falling gasoline prices were the main contributor although mortgage interest and rental costs remain high. The Bank of Canada raised rates by 25 basis points three times in 2023. Interest rates now stand at 5%, the highest since 2001. Governor Macklem said rates may now be high enough to bring inflation back to the Bank of Canada's target, but it is still wary of inflation and will only consider cuts when the target is within reach.

Many other central banks coordinated with the Fed, including the Bank of England, European Central Bank and Reserve Bank of Australia. The Bank of England has been grappling with inflation in the U.K. which at its peak of 8.7% was the highest in the G7, but by year-end it had dropped to a two-year low of 3.9%. An academic, Kazuo Ueda, was also named the new Bank of Japan head over existing deputy governors indicating a possible change in Japan's near-zero rate policy. And China introduced a series of stimulus measures targeting its financial, property and tech sectors and consumer spending.

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## Market Overview Continued

### What can we expect next?

As we embark on a new year, the remnants of central bank rate hiking in 2023 may linger for a bit longer. The economy is slowing which should be confirmed by upcoming data. This will present a challenging period in early 2024, with profit margins likely to come under pressure, and timing around rate cuts to be determined by the pace at which inflation moves towards 2%. On the bright side, there is little reason to expect a severe slowdown, and rates cuts should ultimately stimulate economic activity.

Regardless of where we are in the market cycle, it's important to take a disciplined approach to investing and stay focused on your long-term goals. This strategy helps you keep your emotions out of investing, typically buying high and selling low like many investors do. Ongoing monitoring and reviewing of your portfolio also ensure it remains on track.

Thank you for your continued trust in DD Humes for the opportunity to assist you in working toward your financial goals. We are with you every step of your investment journey. Should you have any questions regarding your portfolio, please do not hesitate to contact us.

### Planning items

- **RRSP Contribution Deadline:** For the 2023 tax year you need to contribute before Feb 29, 2024. The maximum limit for 2023 is \$30,780. If you want to get started on your 2024 contribution, the maximum limit is \$31,560. You may need to adjust your automatic savings plans for the coming year accordingly.
- **Registered Education Savings plan (RESP) contributions:** Quebec beneficiaries get the added 10% QESI grant from the provincial government increasing the overall grant to 30%! 2024 room now available.
- **Tax Free Savings Account (TFSA):** A new \$7000 of room available since January 1, 2024. Total room since 2009 is \$95,000.
- **Conversion to RRIF account:** Those of you who turn 71 years of age in 2024 (born in 1953) will need to convert their RRSPs into RRIF accounts before the end of the year. We will be in contact to assist you on how to get that done if you haven't done so already.
- **Your Annual Review:** It is important to inform us of any changes taking place in to see the effects on your plan.
- **\$2K pension deduction:** Those who turn age 65 in 2024 or older and not already receiving recognized pension income.
- **Estate planning:** The pandemic was another reminder that your **wills and mandates** should always be in order.

## In the Community – DD Humes Supporting Women's Hockey



DD Humes recently announced their sponsorship of the John Abbott Women's Hockey team with the unveiling of their new game jersey sporting the DD Humes logo. Renowned as the reigning two-time Provincial Champions, the John Abbot College Islanders Hockey Team comprises a cadre of elite female student athletes known for their unwavering passion, determination, and sportsmanship both on and off the ice. The sponsorship underscores DD Humes Financial Services' commitment to nurturing talent, fostering a spirit of teamwork, leadership, and excellence within the team. By doing so, DD Humes seeks to contribute meaningfully to the athletes' development and the broader community.

Matthew Humes, who played for the John Abbott Islanders Men's Hockey team in the mid 90's and currently a coach in girls U13AAA hockey, expressed his enthusiasm for the partnership, stating, "When approached by current team assistant captain Samantha Morello in the fall about the sponsorship opportunity, it just seemed like a perfect fit. We are thrilled to join forces with the John Abbott College Islanders Hockey program and play a role in their journey towards their continued success." This collaboration also represents a continuation of the Humes family legacy within the Montreal women's hockey scene. The annual Theresa Humes Cup tournament, named in honor of David's mother, Theresa Humes (Concordia HOF), stands testament to the family's enduring impact on women's hockey. Who knows, maybe a few of these student athletes will one day play in the new women's professional hockey league, the PWHL!

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