GLOBEINVEST
CAPITAL MANAGEMENT INC.

MARKET REVIEW

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WATCH EPISODE

MARKET COMMENTARY

The enthusiasm surrounding AI has propelled the broader stock market indices higher this year. The much-anticipated recession has yet to arrive, and the anticipated timing continues to be pushed out by economic forecasters. The number of jobs being added in both Canada and the U.S. continues to suggest that the North American economy is still sound, despite central banks trying to cool things off for over a year now.

Headline inflation is coming down at a much faster pace than core inflation, which excludes food and energy prices. The “stickiness” of elevated core inflation above the target range concerns central bankers and has kept them on a restrictive monetary path. Rent inflation has been a large contributor to the sticky factor and should moderate as the year progresses due to the base year effect and additional supply of multi-family housing units coming on stream.

The resilience of U.S. consumer spending in the face of high prices can be attributed to the amount of wealth that was accumulated during the pandemic from government stimulus payments and a spike in the personal savings rate, resulting in significantly higher liquidity buffers. Over the past year, personal savings have now been drawn down to pre-pandemic levels, and the savings rate has declined to historical levels. Going forward, consumer spending will be more sensitive to traditional drivers such as wage growth and the labour market. In addition, the resumption of student debt payments in October will weigh on consumer spending later this year.

The upcoming corporate earnings season will give investors a better read on the state of the economy, the health of the U.S. consumer, capital spending plans, and lingering supply-chain concerns. Better than expected guidance for the back half of the year will be supportive for continued price gains.

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