ETERNA FINANCIAL GROUP

# MONTHLY LETTER - FEBRUARY 2024

In February, global stock markets continued their upward momentum from November 2023. On February 9, the U.S. flagship S&P 500 index closed above the symbolic 5,000-point mark for the first time. It seems there's no stopping the stock markets, and as this enthusiasm continues, it will generate a wealth of momentum that will boost confidence in a recession-free economic scenario.

Now that the quarterly earnings season is over in the United States, we can report that results were positive overall. The S&P 500 companies posted earnings up 4% year-on-year, and 73% reported earnings per share surpassing analysts' expectations. Artificial intelligence continues to be the hot topic, and it was probably chipmaker NVIDIA's earnings that captured investors' attention the most. NVIDIA reported sales and earnings that exceeded Wall Street estimates and upgraded its forecasts for the entire year 2024, reflecting strong demand for its chips, used for artificial intelligence applications. Following publication of its financial results, NVIDIA added a record $277 billion to its market capitalization in a single day. By comparison, Royal Bank's total market capitalization is around $155 billion.

In February, the S&P 500 returned 5.3% and the Dow Jones 2.2%. The Canadian S&P TSX index returned 1.8%. In contrast to the U.S. stock market, the Canadian information technology sector has been negative, with companies like Shopify Inc, Open Text Corp and Lightspeed Commerce Inc. all experiencing slowdowns at the start of the year. In Europe, the FTSE 100 index (UK) was stable, while the CAC 40 index (France) and the DAX 30 (Germany) returned 3.5% and 4.6% respectively. Meanwhile, China's stock market is beginning to show the benefits of the numerous easing measures announced by the government, with the Shanghai index posting a gain of 8.1%.

In spite of good performance by risky assets, bonds registered negative returns as interest rates edged higher. The FTSE Canada Universe Bond Index returned -0.3%; only the corporate bond segment delivered positive returns, as the risk premium declined.

In macroeconomic terms, this month saw a number of disappointments, which diminished expectations of rate cuts in financial markets. While six rate cuts were expected in the U.S. in 2024 at the beginning of the month, we are now looking at three, the same number announced by the U.S. Federal Reserve in December 2023. A key reason is undoubtedly more persistent-than-expected inflation in the U.S., which picked up month-on-month in January. Core inflation held steady at 3.9%, while total inflation fell to 3.1%. The latest figures serve as a reminder that it is still too early to declare victory in the fight against inflation. The vigorous U.S. economy is underpinned by a persistently strong labour market, buoyant consumer spending and continued high interest rates, all of which should continue to exert upward pressure on prices. The situation is different in Canada and the UK. Both countries are examples of how weaker economies are contributing to lower prices. In Canada, inflation fell back to within the Bank of Canada's target range of 2.9%.

Also disappointing: the weak start to retail sales in 2024, reflecting either a slowdown in U.S. consumption or a temporary weather-related dip. A decline of 0.8% was observed in January, and in Canada, preliminary estimates indicate a drop of 0.4%.

Finally, Statistics Canada has released its economic growth figures for the fourth quarter of 2023. Real GDP grew by 1%, more positive than the majority consensus of economists and the Bank of Canada. However, concerns remain over domestic demand, which has been more or less stable since mid-2022. We are also seeing a substantial drop in business investment, which will ultimately undermine productivity. We should not forget that Canada's economic growth is due solely to record immigration. It would be healthier if it stemmed from productivity.

**Bobby Bureau, MBA, CIM®**
Senior Manager, Fixed Income
Portfolio Manager

## NOMINATION OF CHRISTINE DESJARDINS

Eterna Investment Management is pleased to welcome Christine Desjardins as Director of Business Development to its team.

With over 25 years' experience in business development and sales management in the financial sector, she understands the needs of both professional investment clients and professional investors. Christine is a consummate communicator and collaborator, and a recognized expert in high-net-worth client development, offering high-level support in meeting their financial and wealth management needs.

Based in Montreal, Christine Desjardins will develop a clientele both locally and province-wide.

## NEW TAX DEPARTMENT

In response to growing demand for specialized services, we are pleased to formally announce the official launch of our brand-new Taxation Department.

The need for specialized tax services is on the rise, so we decided to take this strategic initiative to further enhance our commitment to your satisfaction and provide even more comprehensive solutions.

Expertly headed by Katia Lynch, a tax accountant with over ten years' experience, the Department will be your one-stop shop for all taxation questions and concerns. Katia will be assisted by two new colleagues: Ann Brousseau, a tax specialist with over five years' experience, and Annick Gourdeau-Maleza, an accountant and master's student in taxation. You will receive expert advice and personalized assistance to help you improve your financial situation.

The key areas of focus for the Taxation Department are tax compliance, planning and consulting. In short, we are here to ensure that your wealth is managed for maximum benefits while staying fully compliant with all regulations.

We are confident that this new service will help us to offer you even more personalized and effective solutions

## STATISTICS ON FEBRUARY 29TH, 2024

| CANADA | | |
|---|---|---|
| Unemploy. rate (January) | 5,7 % | ↓ |
| C.P.I. (January) | 2,9 % | ↓ |
| 3 months treasury bills | 4,98 % | ↓ |
| Bonds 5 years | 3,57 % | ↑ |
| Bonds 10 years | 3,49 % | ↑ |
| S&P/TSX | 21 364 | ↑ |

| UNITED STATES | | |
|---|---|---|
| Unemploy. rate (January) | 3,7 % | - |
| C.P.I. (January) | 3,1 % | ↓ |
| 3 months treasury bills | 5,38 % | ↑ |
| Bonds 5 years | 4,24 % | ↑ |
| Bonds 10 years | 4,25 % | ↑ |
| Dow Jones - Industrial | 38 996 | ↑ |
| S&P 500 | 5 096 | ↑ |

| CURRENCIES | | |
|---|---|---|
| $ USA / $ CAN | 0,74 | ↑ |
| $ USA / € Euro | 1,08 | ↑ |
| ¥ Yen / $ USA | 149,98 | ↓ |

The arrow indicates the trend since the publication of the last monthly data or end of the month.

## MARKET INDICES IN CANADIAN DOLLARS AS OF FEBRUARY 29TH, 2024

| | YTD | 3 months | 6 months | 1 year | 3 years* | 5 years* |
|---|---|---|---|---|---|---|
| FTSE Canada 91 Day TBill Index | 0,87 % | 1,26 % | 2,58 % | 4,89 % | 2,51 % | 1,95 % |
| **BONDS** | | | | | | |
| FTSE Canada Universe Bond Index | -1,71 % | 1,66 % | 3,64 % | 3,79 % | -2,17 % | 0,65 % |
| FTSE Canada Short Term Overall Bond Index | -0,15 % | 1,36 % | 3,53 % | 4,25 % | 0,12 % | 1,41 % |
| Indice adapté gestion privée Eterna [1] | -0,81 % | 1,54 % | 3,57 % | 3,99 % | -0,67 % | 1,20 % |
| FTSE Canada Mid Term Overall Bond Index | -1,80 % | 1,79 % | 3,56 % | 3,53 % | -1,92 % | 0,83 % |
| FTSE Canada Long Term Overall Bond Index | -3,91 % | 1,94 % | 3,67 % | 3,11 % | -5,41 % | -0,63 % |
| **NORTH AMERICA STOCK MARKETS $ CAN** | | | | | | |
| Canada - S&P/TSX | 2,38 % | 6,39 % | 6,99 % | 9,19 % | 9,01 % | 9,29 % |
| United States - Standard & Poor's 500 | 10,12 % | 11,92 % | 14,20 % | 30,08 % | 14,40 % | 15,48 % |
| United States - Dow Jones | 6,76 % | 8,91 % | 13,69 % | 21,68 % | 12,70 % | 11,56 % |
| **INTERNATIONAL STOCK MARKETS $ CAN** | | | | | | |
| United Kingdom - FTSE-100 | 0,80 % | 2,93 % | 3,78 % | 4,83 % | 8,38 % | 4,98 % |
| France - CAC-40 | 5,47 % | 7,48 % | 8,21 % | 10,75 % | 9,90 % | 8,17 % |
| Germany - DAX | 5,91 % | 8,06 % | 10,72 % | 16,82 % | 6,99 % | 8,49 % |
| Japan - Nikkei-225 | 12,99 % | 15,51 % | 16,75 % | 28,84 % | 0,89 % | 7,00 % |
| Hong Kong - Hang Seng | -0,66 % | -3,40 % | -9,80 % | -16,57 % | -15,52 % | -9,82 % |
| Australia - S&P/ASX 200 | -0,93 % | 6,75 % | 6,03 % | 1,72 % | 1,20 % | 3,33 % |
| **CURRENCY** | | | | | | |
| USD versus CAD | 2,54 % | 0,13 % | 0,53 % | -0,50 % | 2,15 % | 0,61 % |

* Annual compounded total return.
1 The Eterna Adapted Private Wealth Index is made up of 60% of FTSE Canada Short Term Overall Bond Index and of 40% of FTSE Canada Mid Term Overall Bond Index.ada..

Source : Bloomberg

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