



MAKING CLIENTS WEALTHY
OUR MISSION



MARKET COMMENTARY

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Q4 2024 Review

If we look back at Q4, the global economy showed remarkable resilience, with major economies growing at an average rate of just above 3%. The U.S. economy performed better than expected, growing almost 3% over the past two years, driven by strong consumer demand and high savings. For 2025, U.S. economic growth is forecasted at 2.2%.

In Canada, the story was a bit different. The Canadian economy grew by about 1% per year over the past two years, which is below average but not quite a recession. Canada is highly sensitive to interest rates due to high household debt. The recent decline in interest rates is expected to boost consumer spending and economic growth closer to the long-run average of slightly below 2% in 2025.

The stock market had a fantastic run in Q4 2024. The S&P 500 Index ended the year up by a whopping 25%, marking the first time since 1998-1999 that the S&P 500 posted a 25% gain for two consecutive years. Each quarter in 2024 delivered positive returns, driven by a resilient economy, strong labor market, solid consumer spending, and robust corporate earnings. The "Magnificent 7" stocks (like Apple, Nvidia, and Microsoft) played a big role in this rally, thanks to the growth potential of artificial intelligence.

In Canada, the S&P/TSX Composite returned 3.8% in Q4 and 21.7% for the year. Information technology, financials, and consumer staples were the top-performing sectors. Canadian investors saw a 16.6% average annual return from the TSX over the last two years, but this was overshadowed by the dominant performance in the U.S.

The bond market had mixed performance in Q4 2024. While corporate bonds performed well, government bonds faced headwinds due to rising yields at the longer end of the curve. The Federal Reserve's decision to cut interest rates in the quarter provided some support to the bond market, but the overall performance was muted compared to equities. Both Canadian and U.S. aggregate bond indices had low, single digit returns as coupon payments offset the price declines caused by higher yields.

December 2024	3 months (%)	1 Year (%)
Canadian Equities		
S&P/TSX Composite Index	3.76	21.65
S&P/TSX 60 Index	3.80	21.04
S&P/TSX Small Cap Index	0.69	18.83
Canadian Fixed Income		
S&P Canada Agg Bond Index	0.03	4.14

	3 months (%)	1 Year (%)
US Equities		
S&P 500 Index	2.41	25.02
Nasdaq Composite Index	6.35	29.57
US Fixed Income		
BBg US Aggregate Bond Index	-3.06	1.25

	3 months (%)	1 Year (%)
Global Equities		
MSCI World Index	6.39	30.01
MSCI EAFE Index	-2.13	13.81
MSCI Emerging Markets Index	-1.88	17.85
Global Fixed Income		
FTSE WGBI Index	0.67	5.94

	3 months (%)	1 Year (%)
Global Equity Sectors		
Consumer Discretionary	15.78	32.98
Communication Services	13.66	46.44
Information Technology	11.41	45.18
Financials	10.84	39.01
Energy	3.66	13.03
Industrials	1.83	23.94
Consumer Staples	-0.33	15.99
Utilities	-1.97	24.26
Real Estate	-3.89	11.39
Health Care	-5.59	10.82
Materials	-8.72	3.48

Source: Morningstar

All in Canadian Dollars except US indices which are in US Dollars.

Private markets had an interesting year in 2024. With economic uncertainty elevated following the spring bank failures, competition from public markets was low, allowing private lenders to reap wider spreads. Deal activity remained lukewarm, but economic confidence improved, catalyzing issuance in the syndicated loan market. Private equity firms continued to find opportunities, particularly in sectors like technology and healthcare, where innovation and growth potential remain strong.

- **Technology** - This sector was the standout performer in Q4 2024, driven by strong demand for AI and digital services. Companies like Alphabet, Microsoft and Nvidia in the US and Shopify in Canada led the charge, posting impressive gains.
- **Financial Services** - This sector performed well because of positive earnings reports. This includes companies like JP Morgan, Goldman Sachs, Manulife and Royal Bank.
- **Consumer Discretionary/Staples** - Consumer stocks benefitted from increased consumer spending including Under Armour, Loblaws, Metro and Dollarama.
- **Communication Services** - Specific to Canada, this sector severely underperformed as concerns over large debt loads (BCE) and heightened price competition (Rogers, Telus) dragged down returns.

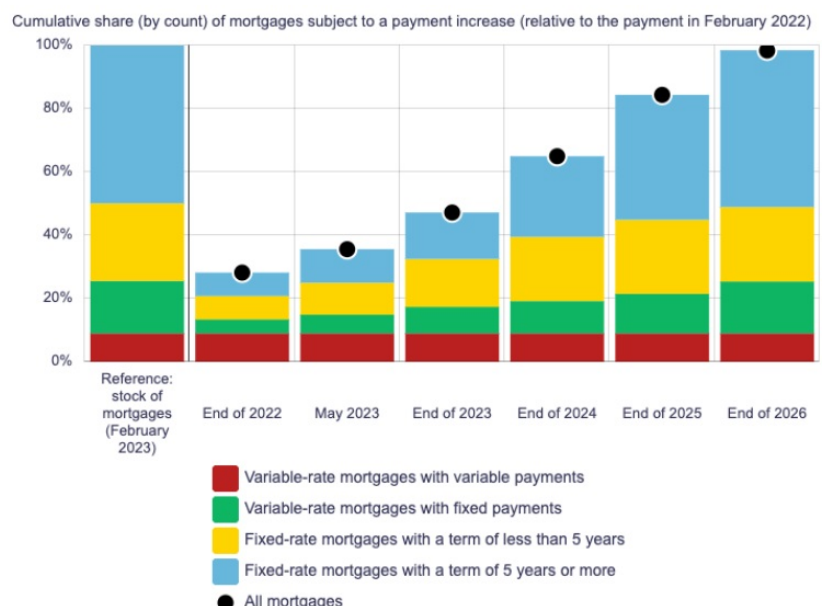
Global markets mirrored the performance of North American markets, with strong gains in major indices. European and Asian markets also saw positive returns, driven by economic recovery and strong corporate earnings. However, geopolitical tensions and trade uncertainties remained a concern for investors.

2025 Outlook

Looking ahead to 2025, the global economic outlook remains positive. Economic growth is expected to continue, supported by strong consumer spending, corporate investment, and government policies aimed at fostering innovation and economic stability. The AI boom is likely to remain a significant driver of economic growth, with continued investments in technology and digital infrastructure.

In Canada, the economic outlook is cautiously optimistic. The Bank of Canada has been aggressively cutting interest rates, which should support economic growth. However, households with mortgages renewing in 2025-2026 may face higher rates. The Canadian economy is expected to grow by 2.0% in 2025, up from 1.2% in 2024. Inflation has been within the Bank of Canada's target range, and price stability has been restored across most sectors.

The stock market is expected to remain strong in 2025, with the technology sector continuing to lead the way. However, valuations for U.S. stocks are becoming increasingly expensive, prompting investors to look for opportunities in international markets. European and Asian markets are



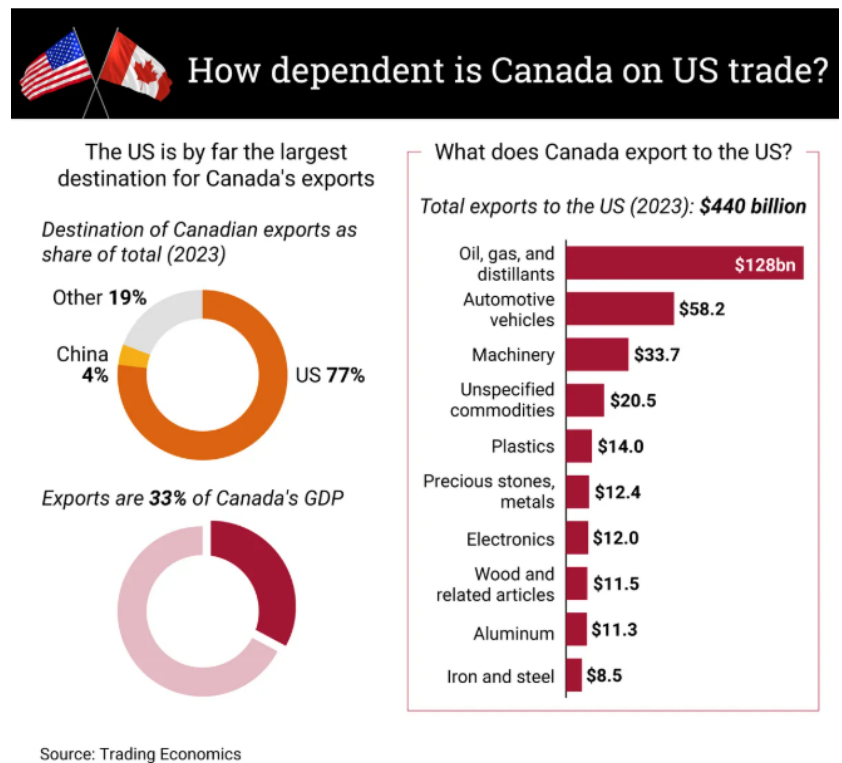
expected to offer attractive risk-adjusted returns, particularly in sectors like technology, consumer cyclicals, and healthcare.

In Canada, the stock market is poised for continued growth, supported by lower interest rates and a resilient economy. The S&P/TSX Composite is expected to benefit from strong performances in technology, financials, and consumer staples. However, potential tariffs from the U.S. could pose a risk to Canadian equities.

President Trump's proposed tariffs could have significant implications for both the U.S. and Canadian economies. Trump has threatened to impose steep tariffs on imports from Canada and Mexico, with rates as high as 25%. These tariffs are intended to protect U.S. industries and reduce trade deficits, but they could also lead to higher prices for consumers and businesses.

For Canada, the impact of these tariffs could be substantial. Higher tariffs on Canadian exports to the U.S. could reduce demand for Canadian goods, leading to lower economic growth and potential job losses in affected industries. Additionally, the increased cost of imported goods could contribute to higher inflation, putting further pressure on Canadian consumers and businesses.

In the U.S., the tariffs could lead to higher prices for imported goods, reducing consumer purchasing power and potentially slowing economic growth. While some U.S. industries may benefit from reduced competition, the overall impact on the economy is likely to be negative, with reduced trade and higher costs outweighing the benefits.



Private markets are expected to continue finding opportunities in 2025, particularly in sectors like technology and healthcare. With public market competition remaining low, private lenders can continue to benefit from wider spreads. Economic confidence is likely to improve further, catalyzing more deal activity and issuance in the syndicated loan market. Private equity firms will likely focus on sectors with strong innovation and growth potential, leveraging their expertise to drive value creation.

The bond market is likely to face challenges in 2025 including slower than expected interest rate cuts and mounting inflationary pressures. However, corporate bonds and high-yield bonds may offer attractive returns for investors willing to take on additional risk. The Federal Reserve's monetary policy will play a crucial role in shaping the bond market's performance, as well as the new presidential administration's policies on spending, tax, immigration and regulation.

- **Technology** - This sector is expected to continue its strong performance, driven by ongoing investments in AI and digital services. Companies that can leverage AI to improve efficiency and innovation will be well-positioned for growth.
- **Consumer Cyclical**s - This sector is likely to benefit from continued consumer spending and economic recovery. Stocks with strong brand recognition and innovative products will be attractive to investors.
- **Healthcare** - The healthcare sector is expected to see significant growth, driven by advancements in biotechnology and pharmaceuticals. Companies focused on innovative treatments and technologies will be key players in this sector.
- **Energy** - The energy sector may face headwinds due to fluctuating oil prices and regulatory and governmental challenges. However, investments in renewable energy and sustainable technologies could provide growth opportunities.

International markets are expected to offer attractive investment opportunities in 2025. European and Asian markets are poised for growth, driven by economic recovery and strong corporate earnings. Investors should consider diversifying their portfolios to include international stocks and sectors with strong growth potential.

The fourth quarter of 2024 was marked by strong economic growth and impressive stock market performance, driven by the AI boom and robust corporate earnings. As we look ahead to 2025, the economic outlook remains positive, with continued growth expected in key sectors like technology, consumer cyclicals, and healthcare. However, potential tariffs from the U.S. could pose risks to both the U.S. and Canadian economies. Private markets are expected to continue finding opportunities, particularly in sectors with strong innovation and growth potential. Focusing on diversification, thematic investing, and risk management will help navigate the evolving market landscape and capture growth opportunities.

As always, find the time to review your investment portfolio with your Mandeville Advisor. They will work with you to create a plan and help you achieve your investment goals.

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