THE MARKET PULSE

JANUARY 2024

When I first decided to condense the Market Connection commentary I provide to clients and launched the Market Pulse for general readership, my motivation was twofold. Firstly, I thought it prudent to offer glimpses into my thinking and philosophy when it comes to investing money.

Secondly, while I appreciate the topics of investing, economics, and finance may not be at the fore of everyone's lists of interests, my ambition has been to bring some understanding and appreciation of these subjects. In my view, the most conducive approach is to make it applicable to the investment process. While professionals are better versed in their subject matter, it does not absolve one from having sufficient comprehension to help make decisions in one's own best interest. Professionals advise and guide. The final decision is always yours.

In this month's edition, I am circling back and reviewing a subject matter that has appeared in these pages before. I was recently discussing GIC rates with a prospective client and when the matter of "inverted interest rates" came to the fore of our meeting, I sensed discomfort and misunderstanding. Let's first turn to Investopedia for an "official" definition of Inverted Yield Curve:

> "…shows that long-term interest rates are *less than* short-term interest rates. With an inverted yield curve, the yield [interest] *decreases* the farther away the maturity date is."[1.]
> (emphasis and clarification added)

In this context, it's understandable that the term "yield" spooks most uninformed investors. For the purpose of simple discussion, it's sufficient to simply replace "yield" with "interest".

Let's consider a simple scenario to help connect the logical dots. Say you have $10,000 you are willing to lend out. A local business owner comes to you and asks what interest rate you will charge him to borrow the money for one year. Suppose you say 5% per year. He then asks what your rate would be if he borrowed the funds for five years. Pause and give this some rational thought.

In a normal economy, I would suspect your rate would increase, say to 8% per year for the five-year term. Why? Likely because you understand that more can go "wrong" over a longer period, so you need to be paid extra for the added risk you are taking to reduce your worry.

Over the course of daily life, you need not look further than mortgage rates to see this very same logic play out, at least under "normal" circumstances.

Turning back to GICs (Guaranteed Investment Certificates), why would a bank pay you more for a one-year GIC over a 5-year GIC? Simply because they are cognizant of the fact that lenders (yes, you are lending money when you purchase a GIC), have more worry in the short-term relative to the long-term. What's causing the short-term worry to be greater than the long-term worry? Ah, one of the many mysteries the market dangles over our investing journey. The better question is, is the excess short-term worry warranted or not? Either way, one would do well to note this reality and consider how else it may affect on an investment portfolio.

If such information sparks an interest in you and you wish to dive through this rabbit hole further, feel free to reach out. I enjoy running such mental sprints and always find I learn something new in such discussions. Naturally, I know for most people, you'd rather watch paint dry. It's why similar people have entrusted us with their investment portfolios. These thoughts are shared not to impress with a whirlwind of numbers and fancy words, but to plant seeds of thought that might eventually germinate, when the time is right. Send us a note when you're ready.

All My Best,

Adrian Harasymiw
Investment Advisor

QUOTE OF THE MONTH
"Even the best hitters in baseball have slumps.
~ Mark Skousen

1. www.investopedia.com/terms/i/invertedyieldcurve.asp

10-Year Bond Yields	January 2024	December 2023	Quarter 1 2024	Year-to-Date 2024
Canada	2.82%	-5.67%	2.82%	2.82%
U.S.	1.29%	-10.45%	1.29%	1.29%
Switzerland	6.87%	-25.09%	6.87%	6.87%
Japan	16.96%	-9.55%	16.96%	16.96%

Major Stock Indices	January 2024	December 2023	Quarter 1 2024	Year-to-Date 2024
S&P/TSX (Canada)	0.56%	3.71%	0.56%	0.56%
DOW (U.S.)	1.55%	4.94%	1.55%	1.55%
S&P 500 (U.S.)	2.12%	4.61%	2.12%	2.12%
Nasdaq (U.S.)	2.82%	5.85%	2.82%	2.82%
NYSE (U.S.)	0.35%	4.75%	0.35%	0.35%
FTSE 100 (U.K.)	-1.33%	3.75%	-1.33%	-1.33%
Euro Stoxx 50 (EUR)	2.65%	2.93%	2.65%	2.65%
Nikkei 225 (Japan)	9.32%	-0.22%	9.32%	9.32%
Shanghai (China)	-6.20%	-1.73%	-6.20%	-6.20%

Major Commodities	January 2024	December 2023	Quarter 1 2024	Year-to-Date 2024
Gold (USD)	-0.26%	1.64%	-0.26%	-0.26%
Silver (USD)	-3.64%	-5.43%	-3.64%	-3.64%
WTI Crude Oil	5.77%	-5.74%	5.77%	5.77%
Natural Gas	-19.23%	-11.27%	-19.23%	-19.23%
Uranium	10.47%	12.10%	10.47%	10.47%
Wheat	-5.31%	5.73%	-5.31%	-5.31%
Cotton	5.32%	1.25%	5.32%	5.32%

Other	January 2024	December 2023	Quarter 1 2024	Year-to-Date 2024
USD Index	2.10%	-1.92%	2.10%	-2.04%
CAD/USD	-1.40%	2.36%	-1.40%	2.33%
Bitcoin	0.71%	8.19%	0.71%	152.98%
Ethereum	-0.05%	--	-0.05%	-0.05%
VIX	8.47%	-3.64%	8.47%	-42.55%

For more investment performance numbers, be sure to check out
www.PinnacleSovereign.com/MoneyManagement/MarketPulse

Looking for better interest paying solutions for your savings? Check out some of these month-end best rates available on our investment shelf. Please contact us for further information. (Rates subject to change without notice.)

High Interest Savings Fund: 4.95% (net)

1-Year GIC: 5.14% (net)