

RBC Dominion Securities Inc.

St. Peter's on-the-Rock Church

June 30, 2023



Wealth Management
Dominion Securities

Performance Review

- Main Church Account = +4.3% YTD; \$87,554 market value / 53% equity
 - Music Fund Account = +7.5% YTD; \$32,266 market value / ~50% equity
 - Sub-Account (Holding TD Bank shares) = -4.2% YTD; \$55,775 market value / all equity
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- Performance gains largely attributable to equity holdings



Headlines – 1H Financial Markets

Significant ‘bounce – back’ in equity markets

- Canadian equity markets +5%; US equity markets +6 to 30%
- Equity market performance driven primarily by a few mega-cap technology names → large boost from AI discussion
- Continual interest rate increases have kept a lid on bond prices
 - Government bonds and GICs in 5-5.5% range for 1year
- Economic data and corporate earnings resilient, but GDP estimate trend is down



Details – 1H Financial Markets

1. Dow +6%; S&P +20%, Nasdaq + 30%
2. Top 10 S&P/Nasdaq names have accounted for almost all the return
3. US consumer spending & labor market remains resilient
4. Valuations are at or slightly higher than recent 5yr averages → they should likely be lower given material interest rate increases
5. Inflation is easing rapidly with Canada and U.S. being close to 3% y-o-y (vs 9% last year)
6. Yield curve remains inverted



Outlook – 2H Financial Markets

- Rate increases largely complete → rate decreases unlikely until Q2/Q3 2024
- Soft-landing (while still not most likely scenario) increasing probability – could be ‘shallow’ recession
 - Valuations are not cheap (especially for high growth names) → but big gap between sectors
- Credit / Treasuries remain attractive
- US economy resilient (but slowing)
- Oil demand at record highs (revisions upward)
- Real Estate (especially commercial real estate in US) remains concern
- Concern over slowing of Chinese economy

