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|  Market Update |

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|  |  From: Sharon Wigle |

 Saturday June 10, 2023

 Re: The S&P 500 Is Up???

As of last week’s stock market close, the U.S. broad market, as measured by the S&P 500 Index, is up a hefty 9.65% from December 31st to the end of May. Sounds great, especially after last year, doesn’t it? However, taking a moment to look “under the hood”, things do not look all that rosy. Just seven stock market “giants” - Apple, Microsoft, Alphabet (Google), Amazon, Tesla, Meta (Facebook), and Nvidia represent, on average, a quarter of the S&P 500's market capitalization since the pandemic, and 29% as of May 31. My bias towards high technology, combined with “buying low” last year has helped aid portfolio performance; however, I am concerned that the strength is not market-wide which would give a better indication of U.S. economic strength. In fact, stripping out these 7 stocks – the “S&P493” if you will – the broader market would have been down 1.1%!

In its’ June 2023 “Asset Allocation Strategy” report, National Bank Investments (NBI) points out that “To put things in perspective, these seven companies are, therefore, larger than the main Canadian and Emerging Markets stock indices combined, while Apple alone is roughly20% bigger than the entire S&P/TSX”. They go on to state “That being said, on a technical basis, the pace at which these stocks have held up the U.S. stock market seems unsustainable.” Accordingly, NBI has cut its’ equity exposure to an underweight and have overweighted cash:



Please note that they are not going completely to cash which, as per my April bulletin, is never a wise idea. In fact, in their model asset allocation (i.e. “balanced”) portfolio, NBI is only reducing its’ equity exposure from 60% to 56%. Remember – long-term, equities have always outperformed GICs and bonds; this reduction in equity exposure is just a short-term reaction to what NBI feels are overvalued stock markets. Like us, they want to have cash available to invest if and when the stock markets go down.

Speaking of which, in that April bulletin “**Market Performance & Why I Am Recommending Maintaining Our Cash Positions - For Now**”, I advised “keeping the rest of our powder (i.e. cash balances) dry”. You are currently earning 4.35% on Trust Investment Savings, so you are earning a decent return while waiting for valuations to improve and thus better opportunities to present themselves. In terms of valuations, NBI, feels “these giants can hardly be called "cheap" when the value proposition relative to the bond market is at its worst since we've had earnings data for the Nasdaq 100, and since July 2007 for the S&P 500”. Not a great sentiment; however, if negative volatility does present itself, remember that we have always done well in the past by “buying low”.

REMINDER: Manulife Bank is paying a temporary introductory rate of 5% on their savings & chequing “Advantage” account to new Advantage account clients. As this product falls under the insurance-side of my business, the original email notification was sent from my Trinity Holistic Wealth email address (swigle@trinityholisticwealth.com) on Tuesday, June 6th. If your email does not recognize that email address, you might find the notification in your SPAM folder; if so, please flag that address as a trusted sender so that you are kept up-to-date on news from that side of my business.

Have a great weekend.

Regards,

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