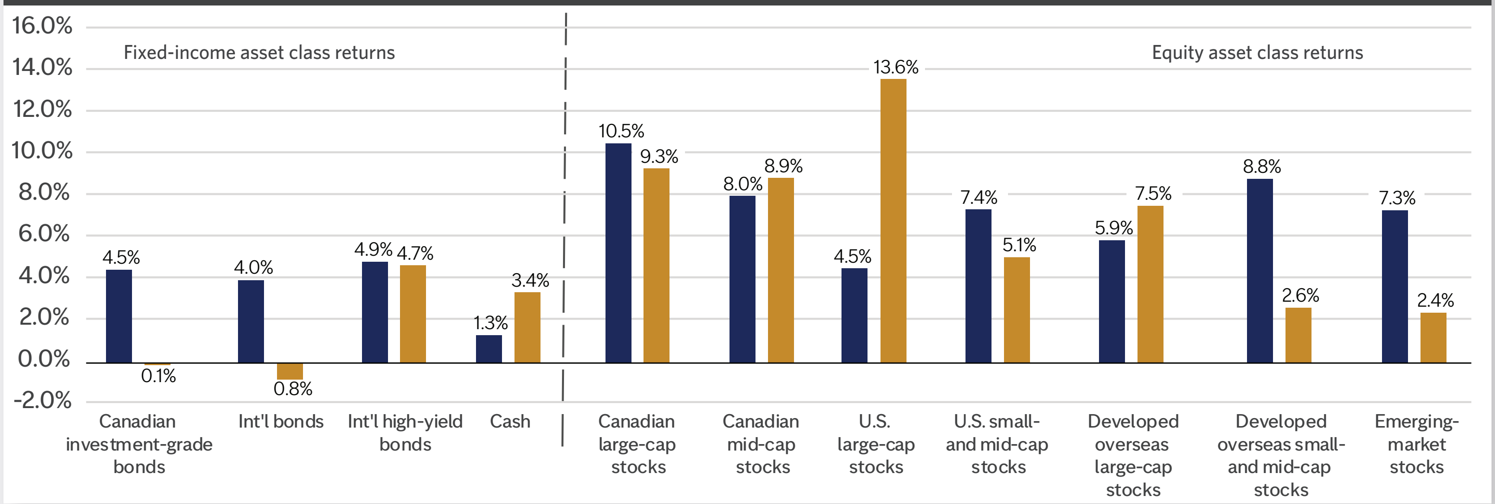
Quarterly market outlook: **Fourth quarter 2024**

Looking back at the third quarter

Asset class performance



Source: Morningstar Direct, 1/1/2024 - 6/30/2024. Total returns in CAD. Canada Large-cap Stocks represented by the S&P/TSX Composite Index. U.S. small- and mid-cap Stocks represented by the Russell 2500 Index. International Bonds represented by the Bloomberg Global Aggregate Bond CAD Hedged Index. International high-yield represented by the Bloomberg Global High Yield Index. Canadian investment-grade bonds represented by the Bloomberg Canada Aggregate Bond Index. U.S. Large-cap stocks represented by the S&P 500 Index. Emerging Market Stocks represented by the MSCI EM Index. Overseas Large-cap Stocks represented by the MSCI EAFE Index. Canadian Mid-cap stocks represented by the S&P/TSX Completion Index. Overseas small- and mid-cap stocks represented by the MSCI EAFE SMID Index. Cash represented by the FTSE Canada 91 Day Treasury Bill Index. Past performance does not guarantee future results. An index is unmanaged and is not available for direct investment.

Stocks and bonds rallied in the third quarter, aided by ongoing monetary easing from the Bank of Canada and the first Federal Reserve interest rate cut of this cycle.

Broadening leadership a key theme in equity rally — Stocks posted strong returns in the third quarter, with the TSX and S&P 500 both reaching new all-time highs. However, unlike prior periods when gains were driven by U.S. mega-cap tech stocks, areas of the market that have lagged over the past several years outperformed in the third quarter.

Canadian large-cap stocks outperformed, rising by 10.5% in the third quarter, the strongest quarterly performance since 2020, while U.S. large-cap stocks gained 4.5%. At a sector level, financials, utilities and real estate were the top performing sectors of the TSX, each gaining more than 16%. U.S. equity markets saw a similar trend with real estate and utilities outperforming in the third quarter while technology, which has been one of the top-performing sectors over the past several years, posted a gain of less than 2%.

Fed joins the BoC in easing policy and signals additional cuts ahead — With inflation falling and signs of the U.S. labour market softening, the Fed cut its policy rate by 0.5% at its September meeting. Updated projections showed Federal Open Market Committee (FOMC) members expect another 0.5% of cuts in 2024 and 1% of additional cuts in 2025. The Bank of Canada lowered its policy rate by 0.25% at both the July and September meetings, bringing the target rate down to 4.25%.

Bond yields fell in the third quarter in response to easing central bank policy, with the 10-year Government of Canada bond yield declining from 3.5% on July 1 to 2.95% at quarter-end. Bonds rallied in response, with Canadian investment-grade bonds, international high-yield bonds and international bonds each rising by 4% or more.

Overseas stocks gain on news of China stimulus — Overseas equities rallied in the third quarter, boosted by additional stimulus from China's policymakers to help support the sluggish economy and property market. Emerging-market stocks rallied by 7.3%.

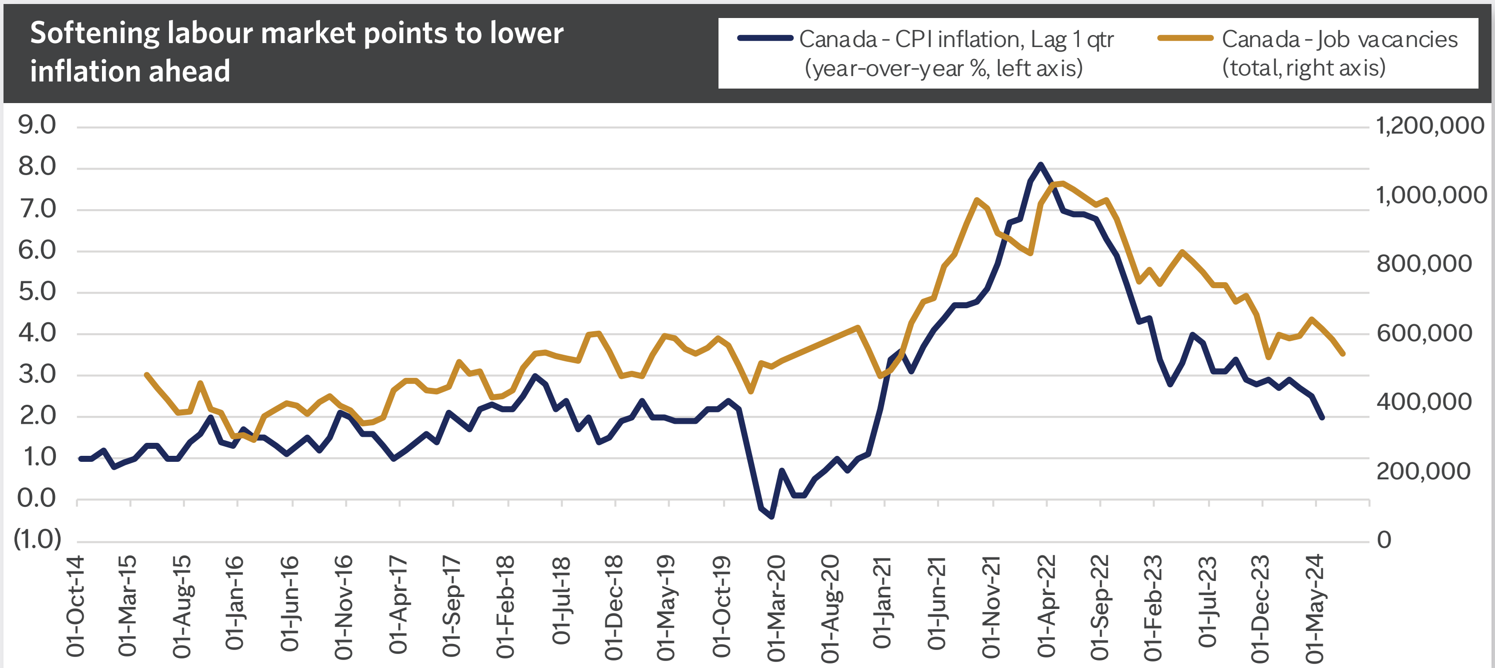
Equity markets in Europe and Japan, which are more dependent on China's economic growth, rallied as well, with developed overseas large-cap stocks gaining 5.9% and overseas international small- and mid-cap stocks rising by 8.8%.

▸ Action for investors

Broadening leadership was on display in the third quarter, which highlights the importance of diversification. Your financial advisor can help ensure your portfolio is appropriately diversified based on your long-term goals.

Quarterly market outlook: **Fourth quarter 2024**

Economic outlook



Source: FactSet, Edward Jones

The Canadian and U.S. labour markets are showing signs of easing, while inflation is moderating. We continue to see a "soft landing" for both economies as the most probable outcome.

Labour market in decent shape despite signs of cooling — Both the Canadian and U.S. labour markets have shown signs of easing in recent months, with unemployment rates rising and job openings falling. In Canada, the unemployment rate has risen from its 2022 low of 4.8% to 6.5% currently. In the U.S., the unemployment rate has risen from its 2023 low of 3.4% to around 4.1%. In both economies, job vacancies have also declined to lows of the year. However, keep in mind that current unemployment rates remain well below long-term averages of around 8.0% in Canada and 5.7% in the U.S.

Labour markets seem to be moderating from its post-pandemic highs, but we don't see signs that they are collapsing. New entrants to the workforce, partly driven by immigration, are contributing to the rise in unemployment, more so than layoffs or job cuts, which is also a positive for household consumption.

Inflation is moderating — In both Canada and the U.S., inflation rates have been easing steadily. Headline consumer price index (CPI) inflation has fallen to 1.6% annually in Canada and to 2.4% in the U.S., well below their 2022 highs of 8.1% in Canada and 9.1% in the U.S. We believe inflation in both economies may continue to gradually ease further, driven by:

1. The CPI's shelter and rent component playing catch-up with real-time slowing in housing and rental price; and

2. A cooling labour market leading to lower wage growth, which should put downward pressure on services inflation broadly.

The soft landing remains intact — While Canadian and U.S. economic growth may moderate in the coming quarters, we don't see any signals of negative growth or recession on the horizon. The Bloomberg GDP tracker indicates Q3 annualized economic growth rates of 1.6% in Canada and 2.5% in the U.S. As inflation moderates and the central banks cut interest rates in the months ahead, the cost of borrowing for consumers and corporations should come down. These lower rates should improve costs in areas like mortgages, auto loans and credit card fees. We may even see economic growth in Canada and the U.S. reaccelerate in the quarters ahead as lower rates make their way through the real economy and likely lead to higher household and corporate spending.

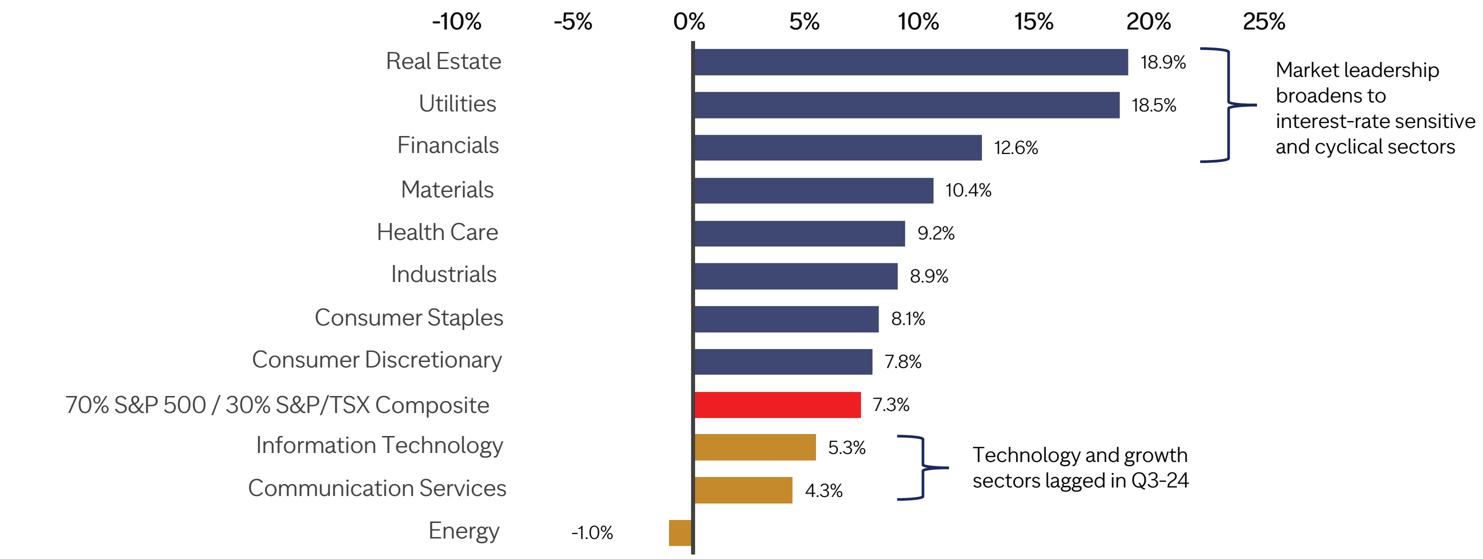
▶ Action for investors

Given the potential for lower interest rates and no recession in the Canadian and U.S. economies, we recommend investors overweight equities versus fixed income.

Quarterly market outlook: **Fourth quarter 2024**

Equity outlook

Sector leadership broadens in Q3 (6/30/24 - 9/30/24)
70% S&P 500 / 30% TSX weighted average returns



Source: FactSet. Total returns in local currency. Sector returns calculated based on 70/30 split between the S&P 500 and S&P/TSX Composite. Edward Jones believes a 70 / 30 blend of the S&P500 and TSX sector weights provides a solid foundation (neutral starting points) for sector diversification.

The Canadian and U.S. equity markets continued to see solid gains through Q3, but we would expect the pace of these gains to moderate. While markets may experience bouts of volatility, pullbacks can present opportunities for long-term investors.

Market leadership starts to broaden — The TSX is up over 15% year to date, while the U.S. S&P 500 is up over 20% through September. In both markets, interest rate-sensitive and cyclical sectors such as utilities and real estate have outperformed in Q3, while technology and communications services lagged. In our view, this broadening may continue as the Bank of Canada (BoC) and the Federal Reserve (Fed) move interest rates lower. We believe diversification — owning growth, value and cyclical sectors, as well as large- and mid-cap stocks — will remain an important foundation for portfolios in the quarter ahead.

Impact of central bank interest rate cuts — In our view, a multiyear rate-cutting cycle could support stock market returns for a few key reasons:

1. Historically, when the BoC and the Fed are cutting rates and there is no imminent economic recession, markets have tended to perform well.

2. Interest rate cuts typically support an expansion of stock market valuations. We believe the sectors with the largest scope for valuation expansion include non-tech and AI stocks, which have already seen a meaningful rise in valuation.

3. Central bank rate cuts over time can support consumer and corporate spending and help reaccelerate economic and corporate earnings growth. This is supportive of better stock market performance.

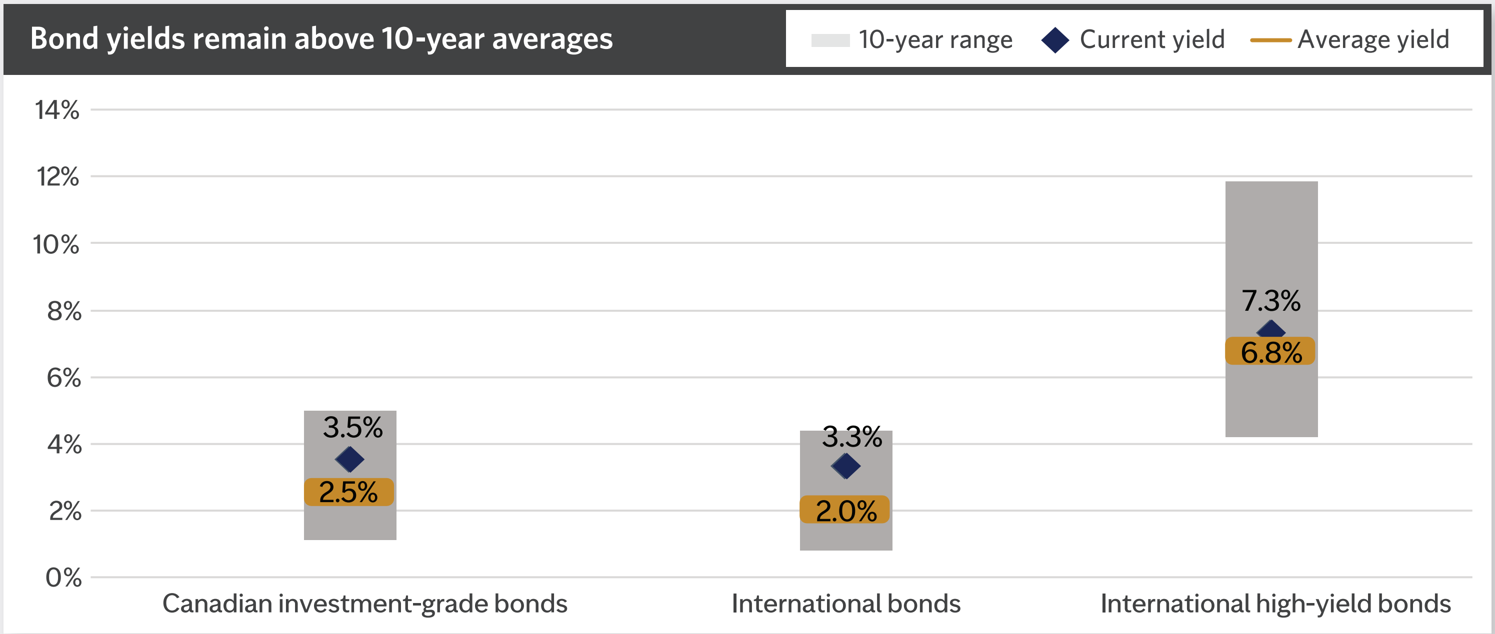
Volatility could be an opportunity — While we believe equity markets are well-supported, stocks have had a strong run already this year. We would expect the pace of these gains to moderate, especially as we head into a seasonally choppy October, and politics and geopolitics continue to spark uncertainty. Markets may experience additional bouts of volatility, which are normal in any given year. Pullbacks can present opportunities to diversify portfolios, rebalance or add quality investments at better prices, as we believe the underpinnings of the bull market expansion are intact.

▶ Action for investors

We recommend overweighting U.S. large-cap and mid-cap equities. We remain neutral between growth and value, as we believe stock market leadership will continue to broaden in the months ahead. Consider using pullbacks as opportunities to diversify, rebalance or add quality investments at better prices.

Investors should understand the risks involved of owning investments, including interest rate risk, credit risk and market risk. The value of investments fluctuates and investors can lose some or all of their principal.

Fixed-income outlook



Source: FactSet and Edward Jones.

The Bank of Canada (BoC) continued cutting its policy rate in recent months as inflation has moderated. Bond yields remain above their averages over the past decade, despite pulling back from recent peaks, potentially setting the stage for stronger returns ahead. Extending duration with intermediate- and long-term bonds and bond funds can help lock in yields for longer, ahead of likely additional BoC rate cuts.

Higher bond yields offer potential for stronger returns — Bond yields rose over the past few years as the BoC hiked interest rates to fight inflation. As shown in the chart above, yields for the major fixed-income asset classes remain above their averages over the past decade. This is despite pulling back from their recent peaks as inflation moderated and markets priced in expectations for BoC rate cuts. Higher yields mean bonds generate more income because income is a key driver of bond returns, it also potentially sets the stage for stronger returns ahead.

Extending duration can help lock in yields for longer — Short-term yields could fall further as the BoC continues cutting rates. This will likely steepen the yield curve and raise reinvestment risk for short-term bonds and GICs. We see value in intermediate- and long-term bonds and bond funds, which can help lock in yields for longer. Additionally, bond prices typically rise when interest rates fall, and vice versa, offering the potential for higher values. Maturing or called bonds and GICs could be a source of funds to extend duration.

The BoC appears poised to continue cutting rates — Since starting its easing cycle in June, BoC recently noted that broad inflationary pressures are easing, with excess supply in the economy putting downward pressure on inflation, while price increases in shelter and some other services partially offset. With inflation moderating toward the middle of the target range, monetary policy can likely be less restrictive, potentially allowing the BoC to continue cutting rates.

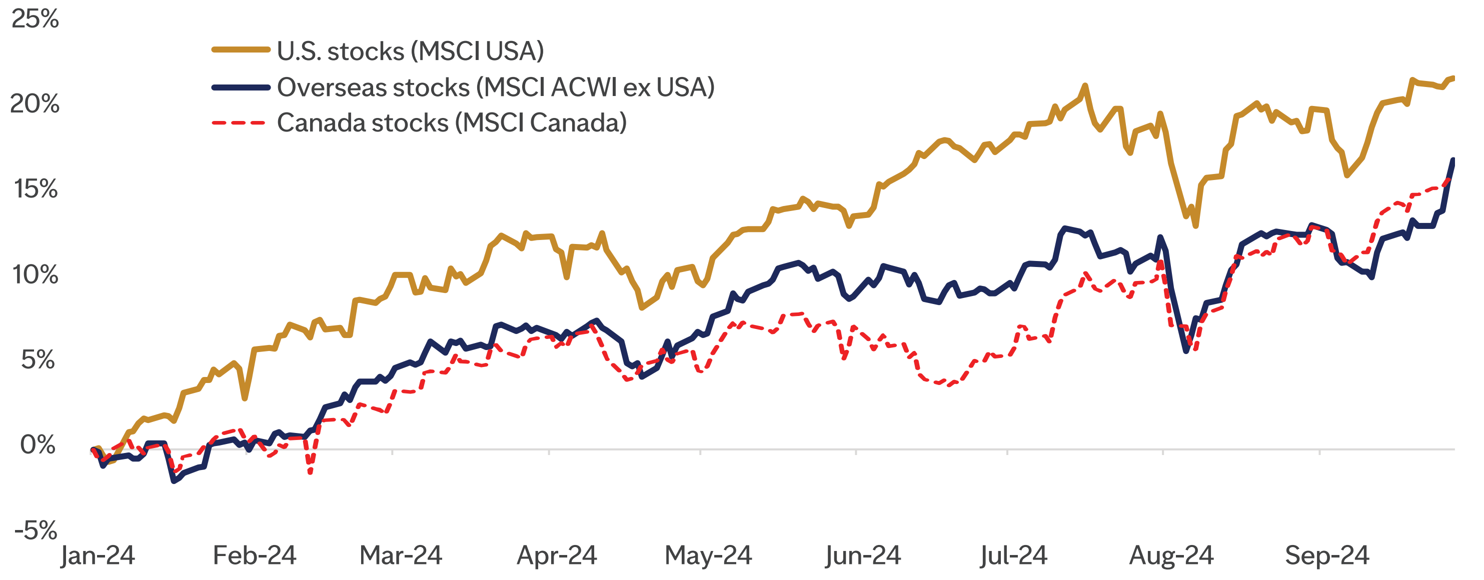
▶ Action for investors

Bond yields remain above their 10-year average, offering the potential for stronger returns ahead. Intermediate- and long-term bonds and bond funds can help you lock in rates for longer. Maturing or called bonds and GICs could be a source of funds to extend duration or to reallocate to underrepresented asset classes.

Before investing in bonds, you should understand the risks involved, including credit risk and market risk. Bond investments are also subject to interest rate risk such that when interest rates rise, the prices of bonds can decrease, and the investor can lose principal value if the investment is sold prior to maturity.

International outlook

Broader sector leadership, China stimulus help overseas stocks play catch-up



Source: Bloomberg, Edward Jones. Total returns in CAD

After six straight quarters of underperformance, Canadian and overseas stocks outpaced U.S. stocks in Q3. The U.S. economy will likely continue to lead, but improving prospects elsewhere support the case for an appropriate allocation to the heavily discounted overseas equities.

China policymakers pull out the stops — China's surprise announcement of a basket of policy stimulus measures targets the general economy, the real estate sector and the stock market. Growth trends in the world's second-largest economy have disappointed amid an ongoing slump in the property market and record-low consumer confidence. Policymakers lowered interest rates and mortgage costs, freed up funds for banks to increase lending, and pledged to provide greater fiscal support. These latest measures show a high degree of urgency to deal with the economy's challenges, triggering a sharp rally in Chinese equities. Questions remain whether the promises for fiscal stimulus will be enough to prop up the economy. However, policy support, depressed investor sentiment and cheap valuations should improve the near-term outlook for China and emerging-market equities.

Europe hits a soft patch — After a modest recovery in the first half of the year, European economic activity measures have recently softened. Germany, the region's largest economy, has stagnated over the past two years, weighed down by sluggish manufacturing activity. In contrast, Southern European countries have outperformed, boosted by strength in services. We expect positive but slow growth for the region in the quarters ahead. Together with cooling inflation, this should give the European Central Bank (ECB) confidence to continue gradually cutting interest rates.

Global easing cycle may broaden bull market — A new cycle of central bank rate cuts across most regions (except Japan) can help drive a recovery in global economic activity. Cyclical sectors carry a higher weight in overseas indexes than in the U.S. and could benefit from a pause in tech enthusiasm as sector leadership broadens. While the relative earnings momentum remains in favour of the U.S., the record 35% valuation discount of overseas equities suggest they may offer catch-up potential and provide diversification benefits for Canadian investors

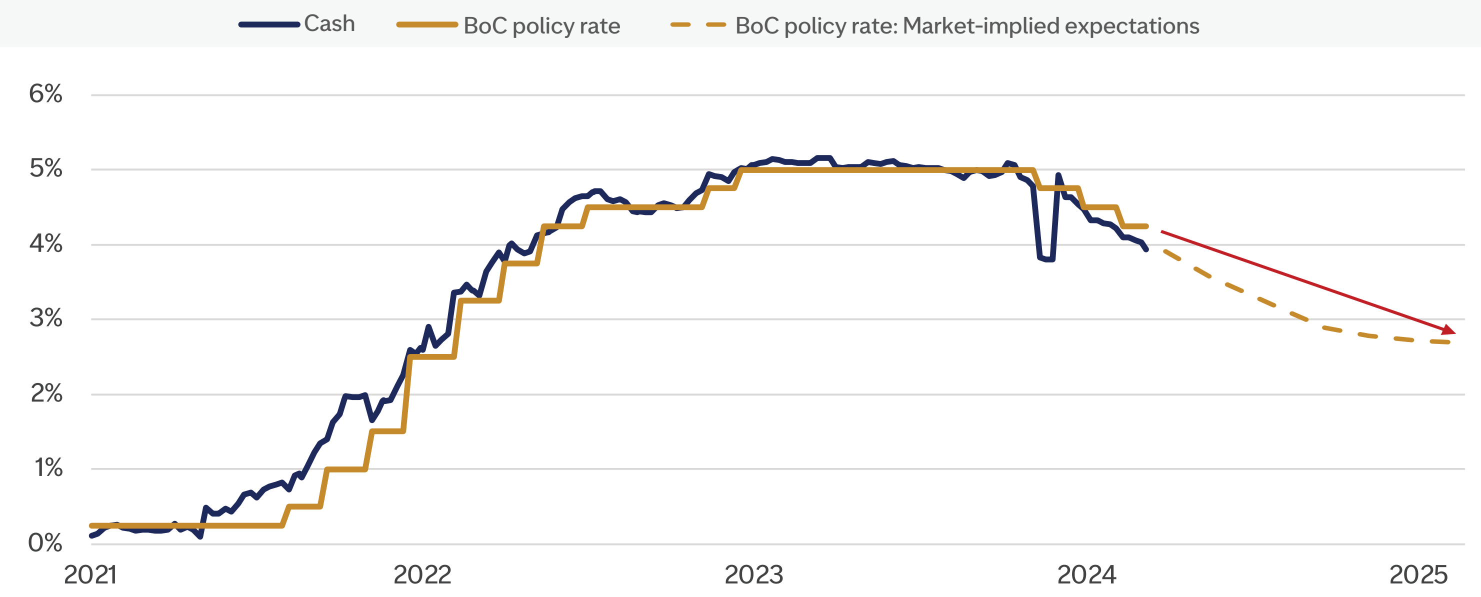
▶ Action for investors

We recommend overweighing U.S. stocks and underweighting overseas and Canadian equities based on economic and earnings trends.

Special risks are inherent to international (and emerging market) investing, including those related to currency fluctuations and foreign political and economic events.

The Bank of Canada and cash yields

Bank of Canada rate cuts likely to drive cash yields lower



Source: FactSet, Bloomberg and Edward Jones.

Cash yields typically rise ahead of Bank of Canada (BoC) interest rate hikes and drop before rate cuts. As the BoC likely continues cutting interest rates, we expect cash yields to fall further.

Some investors may be overweight in cash, including money market funds. Investments in these funds increased over the past few years as their yields rose along with BoC rate hikes. Holding too much cash can present risks, such as the potential for lower returns over the long term.

Cash yields likely to fall further — With inflation moderating toward the middle of the BoC's target range of 1.5%-2.5%, monetary policy can be less restrictive. Further rate cuts could cause cash yields to decline more than intermediate- and long-term yields, likely steepening the yield curve and increasing reinvestment risk on cash, including money market funds.

Some investors may be overweight in cash — We include money markets funds in the cash asset class due to their strong liquidity, high quality and price stability. Money market funds experienced substantial investment inflows over the past few years as their yields rose along with BoC rate hikes. As a result, some investors may now hold more cash than they need.

Overweighting cash can present risks — Cash can provide important benefits, such as funds for unexpected expenses and emergencies, specific short-term savings goals and everyday spending. It also can serve as a strategic allocation for investment and a source for investment opportunities.

However, holding too much cash can present risks, including the potential for lower returns, especially when investing for long-term goals. For perspective, since 2002, Canadian large-cap stocks have delivered annualized returns of 9.4%, compared with 4.0% for Canadian investment-grade bonds and 1.9% for cash.

While past performance does not guarantee future results, we expect this general relationship to hold over the long term, with equities outperforming bonds and cash lagging most asset classes. Investors who are overweight cash may want to consider reinvesting a portion of these funds.

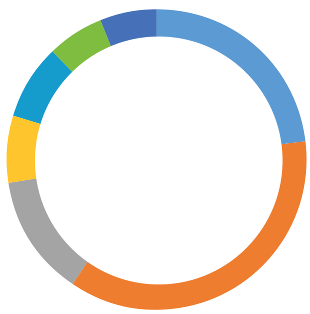
▶ Action for investors

Consider reinvesting any overweight in cash to underrepresented asset classes or potentially overweighting those where we see current opportunities, such as U.S. large- and mid-cap stocks.

Strategic asset allocation guidance

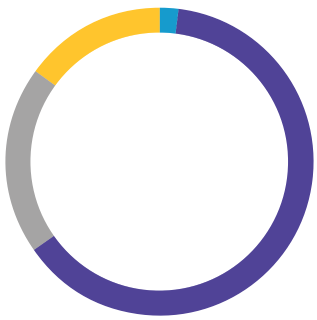
Our strategic asset allocation represents our view of balanced diversification for the fixed-income and equity portions of a well-diversified portfolio based on our outlook for the economy and markets over the next 30 years. The exact weightings (neutral weights) to each asset class will depend on the broad allocation to equity and fixed-income investments that most closely aligns to your comfort with risk, time horizon and financial goals.

Equity diversification



- Emerging-market stocks
- Developed overseas small-and mid-cap stocks
- U.S. small- and mid-cap stocks
- Canadian mid-cap stocks
- Developed overseas large-cap stocks
- U.S. large-cap stocks
- Canadian large-cap stocks

Fixed-Income diversification



- Cash
- International high-yield bonds
- International investment-grade bonds
- Canadian investment-grade bonds

Investors should understand the risks involved in owning investments, including interest rate risk, credit risk and market risk. The value of investments fluctuates, and investors can lose some or all of their principal. The prices of small-cap, mid-cap and emerging-market stocks are generally more volatile than those of large company stocks. Special risks are inherent to international investing, including those related to currency fluctuations and foreign political and economic events. Diversification does not guarantee a profit or protect against loss in declining markets

Opportunistic portfolio guidance

Our opportunistic portfolio guidance represents our timely investment advice based on our global outlook. We expect this guidance to enhance your portfolio's return potential, relative to our long-term strategic portfolio guidance, without taking on unintentional risk.

		Underweight	Neutral	Overweight
Asset allocation guidance				
Equity		•	•	●
Fixed income		●	•	•
Equity	Canadian large-cap stocks	●	•	•
	U.S. large-cap stocks	•	•	●
	Developed overseas large-cap stocks	●	•	•
	Canadian mid-cap stocks	•	●	•
	U.S. small- and mid-cap stocks	•	•	●
	Developed overseas small- and mid-cap stocks	●	•	•
	Emerging-market stocks	•	●	•
Fixed income	Canadian investment-grade bonds	•	●	•
	International bonds	●	•	•
	International high-yield bonds	•	●	•
	Cash	•	●	•
Equity sector guidance				
Communication services		•	●	•
Consumer discretionary		•	●	•
Consumer staples		•	●	•
Energy		•	●	•
Financial services		•	●	•
Health care		•	●	•
Industrials		•	•	●
Materials		●	•	•
Real estate		•	●	•
Information technology		•	●	•
Utilities		•	●	•
Canadian investment-grade bond guidance				
Interest rate risk (duration)		•	•	●
Credit risk		•	●	•

Quarterly market outlook: **Fourth quarter 2024**

Investment performance benchmarks

It's natural to compare your portfolio's performance to market performance benchmarks, but it's important to put this information in the right context and understand the mix of investments you own. Talk with your financial advisor about any next steps for your portfolio to help you stay on track toward your long-term goals.

As of September 30, 2024

Asset class performance

	Third quarter	3-year	5-year
Canadian large-cap stocks	10.5%	9.3%	10.9%
Canadian mid-cap stocks	8%	8.9%	10.2%
U.S. large-cap stocks	4.5%	13.6%	16.6%
U.S. small- and mid-cap stocks	7.4%	5.1%	11%
Developed overseas large-cap stocks	5.9%	7.5%	8.6%
Developed overseas small- and mid-cap stocks	8.8%	2.6%	6.6%
Emerging-market stocks	7.3%	2.4%	6.2%
Canadian investment-grade bonds	4.5%	0.1%	0.6%
International bonds	4.0%	0.8%	0.2%
International high-yield bonds	4.9%	4.7%	4.5%
Cash	1.3%	3.4%	2.4%

Canadian equity sector performance

	Third quarter	3-year	5-year
Information technology	14.1%	-3.4%	17.1%
Financials	17.0%	11%	12%
Consumer staples	6.0%	15.2%	11.8%
Consumer discretionary	7.8%	7.0%	9.6%
Communication services	10.5%	-1.5%	2.1%
Health care	16.5%	-25.3%	-21.8%
Industrials	2.7%	9.1%	12.5%
Materials	12.2%	12.4%	11.3%
Real estate	23%	2.4%	3.9%
Utilities	16.6%	2.8%	6.4%
Energy	2.0%	19.4%	13.3%

Source: Morningstar Direct. 3- and 5-year returns annualized. Equity sectors of the S&P/TSX Composite. Total returns in CAD. Canada Large-cap Stocks represented by the S&P/TSX Composite Index. U.S. small- and mid-cap Stocks represented by the Russell 2500 Index. International Bonds represented by the Bloomberg Global Aggregate Bond CAD Hedged Index. International high-yield represented by the Bloomberg Global High Yield Index. Canadian investment-grade bonds represented by the Bloomberg Canada Aggregate Bond Index. U.S. Large-cap stocks represented by the S&P 500 Index. Emerging Market Stocks represented by the MSCI EM Index. Overseas Large-cap Stocks represented by the MSCI EAFE Index. Canadian Mid-cap stocks represented by the S&P/TSX Completion Index. Overseas small- and mid-cap stocks represented by the MSCI EAFE SMID Index. Cash represented by the S&P Canada Treasury Bill Index. Past performance does not guarantee future results. An index is unmanaged and is not available for direct investment.

