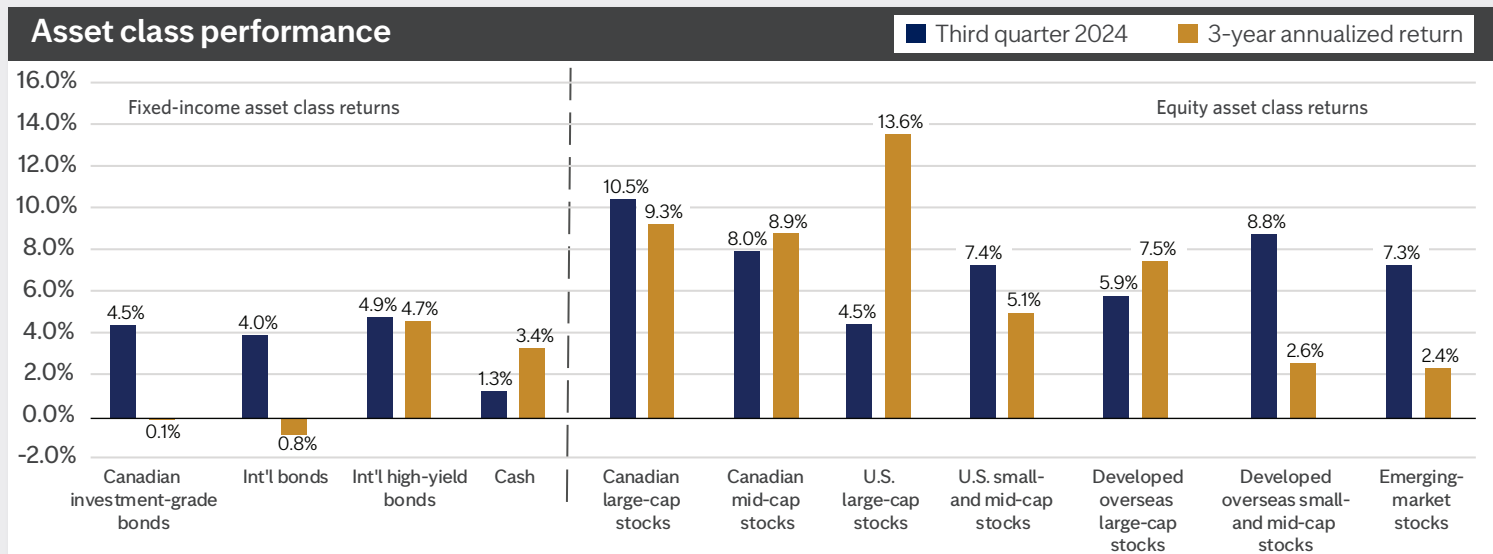


Quarterly market outlook: **Fourth quarter 2024**

Looking back at the third quarter



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.