
September Cool Down

Posted on: October 9, 2023

Our last newsletter talked about how the Canadian Economy had slowed down in the second quarter of the year. The good news from that was the possibility that the Bank of Canada would stop raising Interest Rates. Unfortunately, we have seen more of a mixed picture since then. After falling to a two year low of 2.8% this June, Inflation has come back up. Canada's Annual Inflation Rate went up to 4% in August. It was 3.3% the month before that¹. One of the major factors that is keeping the Cost of Living higher is Oil Prices. According to Statistics Canada, much of the recent rise in Inflation is due to higher gasoline prices². At the time of this writing, the price of Crude Oil was over \$90 per barrel. There are a number of factors that have led to this higher price of Oil and it's not necessarily a bad thing for Oil Exporting Provinces! Western Canada stays in much better fiscal shape with these prices. Keep in mind that Oil was under \$34/barrel in February of 2016 and under \$19 in April of 2020³. We have come a long way since then.

While Central Banks may not be able to control higher Energy Prices, higher Inflation could mean more Rate Hikes after all. Another reason to believe that is possible, is that we have had more jobs added to the economy as well as Wage Increases. Canada's labour market added 40,000 jobs in August. That doubled the expectations of only 20,000 new jobs. It has also kept our unemployment rate at a very low 5.5%. On top of that, wages accelerated at 5.2%. That was much higher than expectations for a 4.7% gain and also up from 5.0% a month earlier⁴. Wage increases over 5% when Inflation is at 4% sounds good (especially when we can get 4.75% in Savings Accounts these days), but again, that could mean more Rate Hikes. It's a mixed picture, for sure.

Where we really witnessed a slowdown in September, was on the Stock Market. Overall, 2023 has been a much better year than 2022 but the third quarter of this year wasn't a good one. Most of the pain came in an ugly September where we witnessed the Toronto Stock Exchange depreciate by 3.7%⁵. We had a good Q4 in 2022 so let's hope that we see a similar pattern this year where the market really rallies to end the year. Remember that the market can bounce back quickly after a poor stretch like this!

We hope that by the time you read this, that you have all had a wonderful Thanksgiving and we wish you the best going into the end of the year!!

Bryce Borden

¹[Trading Economics: Canada Inflation Rate](#) [1]

²[BNN Bloomberg: Central banks can't cure inflation amid high gas prices: economist](#) [2]

³[Yahoo Finance: Crude Oil Nov 23 \(CL=F\)](#) [3]

⁴[BNN Bloomberg: Canada job gains double expectations, wages accelerate](#) [4]

⁵[Reuters: TSX ends 3.7% lower in September as bond yields jump](#) [5]

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[1] <https://tradingeconomics.com/canada/inflation-cpi> [2] <https://www.bnnbloomberg.ca/central-banks-can-t-cure-inflation-amid-high-gas-prices-economist-1.1974029> [3] <https://ca.finance.yahoo.com/quote/CL%3DF?p=CL%3DF> [4] <https://www.bnnbloomberg.ca/canada-job-gains-double-expectations-wages-accelerate-1.1968816> [5] <https://www.reuters.com/markets/tsx-futures-rise-commodity-surge-economic-data-focus-2023-09-29/> [6] <https://bordenfinancial.ca/taxonomy/term/19>