

RBC International Equity Currency Neutral Index ETF Fund



Commentary as at December 31, 2023

Equities in the developed markets of Europe and Asia rose in 2023, as investors bet increasingly that most major central banks were done raising short-term interest rates after almost two years of uncomfortably high inflation appeared to be easing. Most of the stock-market gains came in November and December after volatility over the preceding 10 months.

Economic growth held up surprisingly well for most of the period, and corporate earnings proved resilient as companies were able to pass on higher costs by boosting retail prices. In the fourth quarter of 2023, however, Europe's economy slowed significantly after the European Central Bank raised its policy rate to 4%, the highest level in 22 years.

Japanese stock markets were among the world's best performing during the period as efforts to reform corporate governance in recent years continued to contribute to an improvement in shareholder returns. Many companies made strides both in prioritizing investments based on a search for the best returns and the disposition of low-return businesses. The Bank of Japan responded to a rise in inflation pressures and more competitive overseas interest rates by gradually loosening its grip on bond yields.

Geopolitics continued to affect financial markets. The war in Ukraine, while at an apparent stalemate, continued to cost Western countries significant sums and supported firmer commodity prices. The war between Israel and Hamas alarmed investors because of its potential to spark a broader regional conflict. China's economy, the world's biggest contributor to global growth, was hurt by falling foreign investment as companies in the West questioned whether the country was still a safe place to invest.

The portfolio manager has no recent developments to report.

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