

RBC Select Choices Aggressive Growth Portfolio



Commentary as at June 30, 2024

The global economy continued to demonstrate resilience in the face of higher-than-expected interest rates and geopolitical concerns. While inflation cooled sufficiently to prompt central-bank rate cuts in Canada and the eurozone, the U.S. Federal Reserve (the “Fed”) delayed rate reductions given that U.S. inflation remained higher than in most other developed countries. The wars in Ukraine and Gaza persisted, with little sign of ending.

Equity markets climbed to new highs in the second quarter of 2024, although the gains were concentrated in a small group of the biggest technology stocks that have benefited from advances in artificial intelligence. Valuations in equity markets outside of U.S. large-caps were less demanding, meaning global equity markets could offer attractive returns should economic and corporate-profit growth remain positive. Emerging-market stocks continued to underperform their developed-market counterparts.

The portfolio manager’s base case has the economy experiencing a soft landing, inflation falling gradually toward central bankers’ 2% targets and central banks delivering modest monetary easing. Stocks still offer superior return potential, but the upside has been reduced by the latest rally and the equity-risk premium is narrow.

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