

The year 2024 started off with a bang for most of the world's stock market indices, with the S&P 500 index rocketing to a new high. To justify a new record high for this stock market index, investors are betting on a soft-landing scenario that they see as increasingly plausible, with inflation continuing its downward trend, and the possibility of the U.S. Federal Reserve lowering rates as early as its May meeting.

In January, the S&P 500 returned 1.7% and the Dow Jones 1.2%. The Canadian S&P TSX index returned 0.6%. The information technology sector sustained its 2023 momentum, with a 6.7% return. In Europe, the FTSE 100 index (UK) posted a negative return of -1.3%, while the CAC 40 index (France) and the DAX 30 (Germany) returned 1.5% and 0.9% respectively. Over in China, multiple easing measures announced by the government in January failed to produce any gains for the Chinese stock market, with the Shanghai Se index declining by 6.3%.

Despite the robust performance of risky assets, bonds registered negative returns as interest rates edged higher at the start of the year. The FTSE Canada Universe Bond Index returned -1.4%.

In macroeconomic terms, it should be no surprise that central bank meetings attracted investor attention. January's monetary policy decision was backed by an update on the economic outlook. The Bank of Canada's monetary policy left the key rate unchanged at 5%. One interesting change to the statement: the bank no longer mentions "being prepared to raise the policy rate again if necessary." As Macklem points out, the focus of monetary policy is not so much on whether rates are restrictive enough, but how long to maintain them at the current level. On the economic front, the Canadian central bank expects the first half of 2024 to prove challenging, with zero growth in Canada, though recovery is forecast for this summer. Inflation is expected to hover around 3% in the first half of the year, easing towards the 2% target in the second half. Wage growth remains an important issue, as it is stronger than inflation.

In the United States, the Fed decided to leave the key rate unchanged at 5.5%. As in Canada, the U.S. Federal Reserve no longer refers to a possible rate hike, instead stating that a decrease will be possible when there is greater certainty that inflation is heading sustainably towards 2%.

Finally, economic growth figures published in Canada and the United States exceeded economists' consensus. In Canada, GDP per industry rose by 0.2% in November, and Statistics Canada expects a 0.3% increase in December. This means that economic growth in the fourth quarter of 2023 could be much higher than the Bank of Canada's latest forecast of 0%. In the U.S., real GDP grew at an annualized rate of 3.3% over the last three months of 2023; the consensus was for 2% growth. Strong U.S. household consumption continues to support robust growth.

Bobby Bureau, MBA, CIM[®]

Senior Manager, Fixed Income
Portfolio Manager

RRSP, TFSA AND FHSA: WHAT'S THE DIFFERENCE?

RRSP	TFSA	FHSA
OBJECTIVE		
Accumulate savings mainly for retirement or for any other time convenient for cashing out (for example, sabbatical leave, period of unemployment).	Accumulate tax-sheltered savings to achieve financial goals (e.g. renovations, car purchase, business start-up, travel, etc.). The TFSA can also be used for retirement planning.	Accumulate tax-sheltered savings to build or buy a first home.
It is also useful when purchasing or building a first home (HBP) or financing your education (LLP).		
The RRSP is part of the family estate.	The TFSA is not part of the family estate.	The FHSA is not part of the family estate. ¹

¹ Everything leads us to believe that, as of the date of this bulletin, the TFSA is not part of the family patrimony, as the Civil Code of Québec has not been reformed since the creation of this new vehicle, and no case law has been identified.

RRSP	TFSA	FHSA
WHEN TO CONTRIBUTE?		
If you wish to deduct the contribution on your 2023 tax return, the deadline is February 29, 2024.	The TFSA contribution deadline is December 31 of each year. TFSA contributions are not tax-deductible.	You must contribute by December 31, 2023, to claim the contribution on your 2023 tax return.
There is no minimum age for contributing to an RRSP; you just have to earn qualifying income.	The minimum age to contribute to a TFSA is 18.	The minimum age to contribute to a FHSA is 18.
You can contribute to your RRSP up to age 71.	From the year the taxpayer turns 18, contribution rights accumulate throughout his or her life. There is no maximum age for contributions.	You can contribute up to age 71. However, the FHSA account can be open for a maximum of 15 years. Once a withdrawal is made for the purchase of a first home, it is no longer possible to contribute after December 31 of the year following the withdrawal.
ALLOWABLE CONTRIBUTIONS		
<p>The maximum RRSP deduction for a year is 18% of the previous year's earned income, up to a maximum of \$30,780 in 2023. The maximum will increase to \$31,560 in 2024.</p> <p>Certain adjustments are made by the CRA and have an impact on the maximum deductible amount, notably participation in a pension fund reduces the amount of the allowable contribution.</p>	<p>Your contribution room is the unused portion of your maximum amount applicable to your situation that has accumulated since 2009 or since you turned 18.</p> <p>The maximum contribution since the introduction of the TFSA is \$95 000. It breaks down as follows:</p> <p>from 2009 to 2012 : \$5 000, from 2013 à 2014 + 2016 to 2018: \$5 500; in 2015 : \$10 000; from 2019 to 2022: \$6 000; in 2023 : \$6 500; in 2024 : \$7 000.</p>	<p>The maximum annual contribution is \$8,000, regardless of the taxpayer's earned income. There is also a lifetime limit of \$40,000.</p> <p>There is no indexation mechanism.</p> <p>A maximum of \$8,000 in contributions not deducted in the current year can be carried forward to the following year.</p>
The tolerance threshold for excess contributions is \$2,000 for life; beyond this amount, a penalty of 1% per month on the excess is applicable.	Excess contributions are not permitted, or there is a 1% per month penalty.	Excess contributions are not permitted, or a penalty of 1% per month will apply.
You can contribute to your spouse's RRSP and still benefit from the deduction if your spouse has unused contribution room.	You cannot contribute to your spouse's TFSA. However, nothing prevents you from giving the money to your spouse so that they can do it themselves later on.	You cannot contribute to your spouse's FHSA. However, there's nothing to stop you from giving him or her the amount to make the contribution.
WITHDRAWALS		
Withdrawals are taxable and may reduce income-tested government benefits and credits.	Withdrawals are non-taxable and do not affect eligibility for income-tested government benefits and credits.	<p>Withdrawals are not taxable under certain conditions that are similar to the HBP. The taxpayer must qualify as a first-time home buyer.</p> <p>Withdrawals for purposes other than the purchase of a qualifying first home will be taxable.</p>
Amounts that are withdrawn cannot be re-contributed.	Withdrawals made up to December 31 of each year are added to the following year's contribution room.	Withdrawn amounts cannot be re-contributed.
TAXATION UPON DEATH		
Amounts accumulated in an RRSP are taxable at the time of death. You can delay this tax by transferring the RRSP to the surviving spouse. This is called a rollover. Under certain circumstances, you can also do a full or partial rollover to a minor child or a dependent disabled child.	No taxation upon death. The surviving spouse may add the amounts accumulated in their own TFSA without affecting their contribution room.	<p>No tax at death, if all FHSA accounts are closed within the first calendar year following death. If accounts are not closed on time, the estate will be taxed on the fair market value of the FHSA at the time of death.</p> <p>It is also possible to transfer the FHSA to a surviving spouse (to his or her own FHSA or RRSP/RRIF) without affecting contribution room.</p>

STATISTICS ON JANUARY 31ST, 2024

CANADA			UNITED STATES			CURRENCIES	
Unemploy. rate (December)	5,8 %	-	Unemploy. rate (December)	3,7 %	-	\$ USA / \$ CAN	0,74 ↑
C.P.I. (December)	3,4 %	↑	C.P.I. (December)	3,4 %	↑	\$ USA / € Euro	1,08 ↑
3 months treasury bills	5,01 %	↓	3 months treasury bills	5,36 %	↑	¥ Yen / \$ USA	146,92 ↓
Bonds 5 years	3,40 %	↑	Bonds 5 years	3,84 %	↓		
Bonds 10 years	3,32 %	↑	Bonds 10 years	3,91 %	↑		
S&P/TSX	21 022	↑	Dow Jones - Industrial	38 150	↑		
			S&P 500	4 846	↑		

The arrow indicates the trend since the publication of the last monthly data or end of the month.

MARKET INDICES IN CANADIAN DOLLARS AS OF JANUARY 31ST, 2024

	YTD	3 months	6 months	1 year	3 years*	5 years*
FTSE Canada 91 Day TBill Index	0,46 %	1,27 %	2,58 %	4,81 %	2,37 %	1,89 %
BONDS						
FTSE Canada Universe Bond Index	-1,37 %	6,39 %	3,80 %	2,08 %	-2,89 %	0,75 %
FTSE Canada Short Term Overall Bond Index	-0,18 %	3,12 %	3,88 %	3,42 %	-0,16 %	1,45 %
Indice adapté gestion privée Eterna ¹	-0,60 %	4,49 %	3,99 %	2,68 %	-1,18 %	1,28 %
FTSE Canada Mid Term Overall Bond Index	-1,22 %	6,55 %	4,10 %	1,50 %	-2,76 %	0,98 %
FTSE Canada Long Term Overall Bond Index	-3,28 %	11,37 %	3,17 %	0,44 %	-6,55 %	-0,47 %
NORTH AMERICA STOCK MARKETS \$ CAN						
Canada - S&P/TSX	0,55 %	12,30 %	3,63 %	4,62 %	9,91 %	9,57 %
United States - Standard & Poor's 500	3,11 %	11,95 %	8,28 %	21,46 %	12,67 %	14,72 %
United States - Dow Jones	2,74 %	11,97 %	10,31 %	14,97 %	12,26 %	11,61 %
INTERNATIONAL STOCK MARKETS \$ CAN						
United Kingdom - FTSE-100	-0,23 %	5,96 %	1,48 %	5,93 %	8,94 %	5,49 %
France - CAC-40	0,94 %	10,10 %	2,41 %	8,54 %	9,88 %	8,16 %
Germany - DAX	0,35 %	13,00 %	3,07 %	12,18 %	5,59 %	7,87 %
Japan - Nikkei-225	5,81 %	17,46 %	8,06 %	18,75 %	-0,62 %	5,76 %
Hong Kong - Hang Seng	-7,97 %	-12,60 %	-21,74 %	-28,54 %	-17,18 %	-10,74 %
Australia - S&P/ASX 200	-0,99 %	13,72 %	3,40 %	-3,37 %	1,62 %	3,89 %
CURRENCY						
USD versus CAD	1,45 %	-3,17 %	1,86 %	0,97 %	1,69 %	0,47 %

* Annual compounded total return.

¹ The Eterna Adapted Private Wealth Index is made up of 60% of FTSE Canada Short Term Overall Bond Index and of 40% of FTSE Canada Mid Term Overall Bond Index.ada..

Source : Bloomberg