

Rumour Has It: Fact Versus Fiction in the Markets, AI, and Tech

August 2024

Alfred Lam, CFA, Senior Vice-President, and Co-Head of Multi Asset
CI Global Asset Management

There were multiple factors which caused a meltdown in the Japanese stock markets and corrections everywhere since the beginning of August.

Following the Bank of Japan's decision to raise its policy interest rate to 0.25%, the Japanese stock markets (as measured by the Nikkei Index) lost 6668 points (-17.5%) in two days. Obviously, 0.25% is not a big move, but investors were speculating that the rates would jump from zero (which the bank has maintained for over two decades) in the coming months. That speculation was shot down quickly by the BOJ Deputy Governor, Shinichi Uchida, reaffirming the bank will not hike into an unstable market. The Nikkei Index rallied 3631 points in the following two days.

The U.S. reported weaker job gains, and unemployment rose to 4.3%. Since the rate hike cycle began two years ago, some Wall Street strategists have been calling for a recession and miscalculated (missing upside). They looked for every single sign of weakness to blow; this is the closest they have gotten. This weak job report created opportunity for strategists calling the Fed behind the curve and should initiate a 50-basis point emergency cut. Realistically, we have not seen a recession trend; in addition, 4.3% is still a very healthy employment condition. The latest corporate earnings show both top- and bottom-line growth along with margin expansion.

Berkshire Hathaway, as run by Warren Buffett, sold almost half of its stake in Apple Inc. The position has been owned for over two decades. At around the same time, Intel Corp announced big layoff plans and underwhelming results. In addition, Microsoft, Amazon, and Alphabet announced large capital expenditures on AI but gave very little guidance on payback. Meta was in a similar situation last quarter and saw their share price decline over 10% in a day. This quarter, they beat expectations, citing the benefits of AI. These news stories triggered concerns over valuations of AI and IT companies. Realistically, neither Apple nor Intel is the leader in AI. Their products are also behind the competition, causing investors to flee. Investors in AI need to be patient and understand they are investing to ride a mega-trend that will likely be transformational.

Speaking of leaders in AI, there was a rumour that Nvidia has to delay the launch of its Blackwell chip. We usually don't comment on rumour, but keep in mind the Blackwell chip has effectively no competition and the predecessor has been bought with months worth of orders in line.

Each of the above were insignificant events, as we explained, but together were enough to create a perfect storm in August when liquidity was generally poor, but rumours was hot and extreme. We expect the markets to filter through the facts and stabilize in the coming weeks.

Combined top 15 equity holdings as of July 31st, 2024 of the Assante Private Portfolios 40i60e Standard portfolio with Alphastyle exposure:

1. Microsoft Corporation	6. Schneider Electric SE	11. CRH public limited company
2. NVIDIA Corporation	7. ServiceNow, Inc.	12. ASM International N.V.
3. Amazon.com, Inc.	8. Constellation Energy Corporation	13. Eli Lilly and Company
4. Constellation Software Inc.	9. Novo Nordisk A/S Class B	14. Rheinmetall AG
5. Hemnet Group AB	10. ASML Holding NV	15. Safran SA



For more information, we encourage you to speak to your advisor or visit us at assante.com

IMPORTANT DISCLAIMERS

This document is intended solely for information purposes. It is not a sales prospectus, nor should it be construed as an offer or an invitation to take part in an offer. Certain names, words, titles, phrases, logos, icons, graphics, or designs in this document may constitute trade names, registered or unregistered trademarks or service marks of CI Investments Inc., its subsidiaries, or affiliates, used with permission. All other marks are the property of their respective owners and are used with permission. This document may contain forward-looking statements about one or more funds, future performance, strategies or prospects, and possible future fund action. These statements reflect what CI Assante Wealth Management ("Assante") and the authors believe and are based on information currently available to them. Forward-looking statements are not guarantees of future performance. We caution you not to place undue reliance on these statements as a number of factors could cause actual events or results to differ materially from those expressed in any forward-looking statement, including economic, political and market changes and other developments. The author and/or a member of their immediate family may hold specific holdings/securities discussed in this document. Any opinion or information provided are solely those of the author and does not constitute investment advice or an endorsement or recommendation of any entity or security discussed or provided by CI Global Asset Management. Neither Assante nor its affiliates or their respective officers, directors, employees or advisors are responsible in any way for damages or losses of any kind whatsoever in respect of the use of this document. Assante Private Portfolios are available exclusively through Assante Capital Management Ltd. and Assante Financial Management Ltd., dealer subsidiaries of CI Assante Wealth Management. Assante Private Portfolios is a program that provides strategic asset allocation across a series of portfolios comprised of Assante Private Pools and CI mutual funds and is managed by CI Global Asset Management. Assante Private Portfolios is not a mutual fund. CI Global Asset Management provides portfolio management services as a registered adviser under applicable securities legislation. Commissions, trailing commissions, management fees and expenses may all be associated with investments in mutual funds, pool funds, and the use of Assante Private Portfolios. Mutual funds and pool funds are not guaranteed, their values change frequently, and past performance may not be repeated. Please read the fund prospectus and consult your advisor before investing. Assante Capital Management Ltd. is a member of the Canadian Investor Protection Fund and the Canadian Investment Regulatory Organization. Assante Financial Management Ltd. is a member of the Mutual Fund Dealers Association of Canada and MFDA Investor Protection Corporation (excluding Quebec). CI Assante Wealth Management is a registered business name of Assante Wealth Management (Canada) Ltd. CI GAM | Multi-Asset Management is a division of CI Global Asset Management. CI Global Asset Management is a registered business name of CI Investments Inc. This document may not be reproduced, in whole or in part, in any manner whatsoever, without the prior written permission of Assante. © 2024 CI Assante Wealth Management. All rights reserved. (08/24)