



## ADVISOR FIELD NOTES

### February 2024

"Boredom: the desire for desires."

**Leo Tolstoy**

-Russian Novelist -



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It is a leap year and U.S. inflation did just that and jumped back up in recently released data. After a period of declines and increasing hopes that the Federal reserve would start cutting interest rates in the spring, this reversal caught many by surprise. As this new economic information was digested, stock and bond markets became unsettled and forecasts for lower rates in the near term are less optimistic. Against this backdrop, strong earnings reports from AI associated tech names like Meta and Nvidia rallied U.S. stocks to new highs as February has progressed. **Morgan Stanley's** insight piece explores the bull market question that surrounds the U.S. stock rally we have seen since late fall. They argue that it is too early to ordain that a sustained bull market has begun. They remain cautious on the exuberance towards a narrow slice of large tech names and recommend a broader approach to owning U.S. equities. It is notable that there is little consensus on their underweight approach to the U.S. as other research firms argue the American stocks are expensive because they offer exposure to a stronger economy than the Eurozone and Canadian alternatives. Despite the delay in lower interest rates, they think this event is on the horizon and bring attention to the opportunity in bonds. With yields at levels not seen in years and potential for capital gains, fixed income is an area they recommend. While they are referring to USD bonds, many metrics apply to our fixed income outlook as well. Although Canadian yields are slightly lower than our southern friends, our weaker economy may mean Canada is forced to lower rates sooner and to a greater degree than in the

U.S.

Housing affordability has become a huge topic of discussion domestically and rarely a day passes by when an article or newscast doesn't underscore the current disconnect between housing supply and demand. While higher mortgage costs have pushed back the ownership price somewhat, rental costs have spiralled higher than ever. Widening the lens, how does Canada fare when compared to other parts of the world in this measure? **Visual Capitalist** is always an interesting source and a factoid from last fall examines 15 of the world's least affordable housing markets and a few more that are at the opposite end of the scale. While Hong Kong takes the crown of thorns, Vancouver and Toronto also place in the top 10 and as countries go, Canada trails Hong Kong, New Zealand and Australia for unaffordability. On the flip side of affordability, Buffalo is much less expensive than Toronto despite being less than 100 KM away and all the less expensive cities in the report were U.S. based.

The human animals desire for improvement has left our brain with a less well-known feature or bug, depending on one's perspective. **Time Magazine** shares the concept of *Habituation* in a recent piece, and it may be the reason we take things for granted. It is explained as our brain's tendency to react less over time to things in our environment that are constant and that our neurons fire more for novel experiences. Using several examples in life, they argue that actually our life may be better than our brain is telling us it is on many measures and evolution might be the culprit for this. The authors suggest that ongoing progress comes effectively from a lack of satisfaction with the status quo. Ironically, the cost of the resulting achievements can be a new wave of boredom, restlessness, and greed and the cycle begins anew. The good news is that knowing about habituation's effects can help us offset those negative whispers in our ear by creating mental exercises that help look at the mundane as new and fresh.

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## Morgan Stanley: Are We in a Bull Market Yet?



Has a new bull market already begun? Some investors would say yes, with the S&P 500 Index well over the popular threshold for a bull run of a 20% gain from a trough.

However, the index only recently finished recouping its bear-market losses and today sits just slightly above its January 2022 peak. With potential economic threats remaining and market uncertainties looming in

2024, investors may still need to have patience before a truly durable bull market can get underway.

But that doesn't mean there aren't any opportunities today. In fact, Morgan Stanley's Global Investment Committee believes investors should aim to be fully invested in 2024, with an eye toward diversifying their portfolios and finding balance when it comes to characteristics like style, market capitalization, fundamental quality and geography. Here are three considerations for investors in the coming year.

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# Visual Capitalist: 15 of the World's Least Affordable Housing Markets

When considering where to live, big cities are attractive to people for a number of reasons, but affordability is usually not one of them.

This map, using data from **Demographia**, highlights the major cities ranked the worst for housing market affordability on a global basis.



## Unaffordable Housing Markets

Demographia's report looks at middle-income housing affordability in 94 cities in eight countries, many of which are known for having pricy housing markets:

- Australia
- Canada
- China (Hong Kong)
- Ireland

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## Time Magazine: Life Is Better Than You Think



The undeniable popularity of self-help books, wellness podcasts, and happiness workshops reflects the constant human desire to make life better. But could it be that many of our lives are already better than we recognize?

While we may have a loving family, a good place to live, and a decent job, we often fail to notice those things. It's not because we are ungrateful or stupid. It's because of a basic feature of our brain, known as habituation.

Habituation is the tendency of neurons to fire less and less in response to things that are constant. You enter a room filled with roses and after a short while, you cannot detect their scent any longer. And just as you get used to the smell of fresh flowers, you also get used to a loving relationship, to a promotion, to a nice home, to a dazzling work of art.

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