

# McMurtry Investment Report Portfolios May 2024

Also available in PDF: [McMurtry Investment Report – May 2024](#)

## Investment Commentary May 2024

### US Yield Curve

The 2–10-year US Treasury yield curve inversion increased slightly to a minus 37 basis points as of May 10<sup>th</sup>.

### US Corporate Debt Spreads

Investment grade US corporate debt spreads declined by 3 basis points to a level of 1.48% as of May 9<sup>th</sup>. This is consistent with an improving US economy.

### China

The Chinese economy remains weak and the government is still not stimulating sufficiently.

### Equity Market Valuations

The forward PE of the S&P 500 fell to 20.1 times as of May 10<sup>th</sup>.

### US Corporate Earnings

US corporate earnings recently bottomed and are trending higher. 449 out of 500 companies have already reported their 1<sup>st</sup> quarter numbers with 75% beating their consensus estimates. Revenues for the 1<sup>st</sup> quarter jumped by 4.1% year over year. Operating costs are now rising at a slower pace, thereby improving operating margins. Earnings are expected to rise by at least 5.4% this year. It should be pointed out that companies that beat both revenue and earnings estimates rose by 0.7%, while companies that missed on the top and bottom lines fell by an average of 4.3%.

### Central Bank Monetary Policy

The rhetoric from the Federal Reserve and especially from its Chairman have materially changed since last month. While the Central Bank remains data dependent, they are more conscious of some slowing economic trends and have thus become more dovish in recent weeks. According to the Federal Reserve Bank's Chicago President, Austan Goolsbee, inflation is most definitely coming down. He expects a soft landing. While corporate earnings are now trending back up, US Real GDP only rose by 1.60% in the first quarter of this year, compared to a much higher 3.4% in the 4<sup>th</sup> quarter of last year. Employment growth is easing off and consumer sentiment, measured by the University of Michigan, fell to 67.4 in May from 77.2 in April, the lowest level in six months.

### Asset Mix

Based on a more accommodative Central Bank and a rebounding of corporate profits, I am increasing the equity weight for both portfolios by 5% with cash being reduced by the same amount.

In addition, I am marginally increasing the average term in the fixed income area by adding back the 7–10-year US Treasury ETF, IEF.

Once again, I am reducing my North American benchmark Canada / US weight from the current 50% Canada 50% US, to the new level of 45% Canada and 55% US. This change is being made to reduce the portfolio volatility by slightly reducing the cyclical component. However, I remain fully committed to the Canadian equity market with its commodity exposure in Energy and Materials. We have all seen how the domestic copper and gold producers have outperformed recently and expect this to continue with the US dollar beginning to peak against global currencies.

## McMurtry Invest. Report Asset Mix (May 2024)

Asset Mix - Income and Growth Portfolios		
%	Income	Growth
Cash	10.00	10.00
GICs - CDA 1 year	0.00	0.00
1-5yr Inv Grade Corp	25.00	15.00
5-10 yr Inv Grade Corp	0.00	0.00
1-5 year Cda. Ladder	10.00	10.00
7-10 year US Treasuries	5.00	5.00
Bonds - High Yield	0.00	0.00
Bonds - Tips	0.00	0.00
Bonds Floating Rate	0.00	0.00
Preferreds	0.00	0.00
Equities	50.00	60.00
CDN	19.12	22.95
US	23.38	28.05
Europe	2.50	3.00
Emerging Markets	2.50	3.00
Japan	2.50	3.00

### Asset Mix- ETF Portfolios

Similar to the individual portfolios' asset mix, I am increasing the equity weight for both portfolios by 5%, while reducing cash weight at the same time.

## McMurtry Invest. Report ETF Portfolios (May 2024)

ETF	Income % Wt	Growth % Wt
EQ Bank High Interest Savings Account	5.00	5.00
BMO Ultra Short Bond ETF- ZST	5.00	5.00
GIC - 1 year	0.00	0.00
1-5 year Canadian Corporate Bond - CBO	23.00	13.00
1-5 year Govt of Canada Bond - CLF	5.00	5.00
Vanguard Cdn Corp Bond VCB	7.00	7.00
Vanguard Gov't of CDA mid term VGV	0.00	0.00
iShares 7-10 year US Treasury Bond IEF US	5.00	5.00
BMO Aggregate CDN Bond Universe - ZAG	0.00	0.00
BMO S&P / TSX capped CDN Equity - ZCN	19.13	22.95
BMO S&P 500 in CDN \$ -ZSP unhedged	21.37	26.05
Avantis US Small Cap Value AVUV US	2.00	2.00
BMO MSCI EAFE CDN \$ ZEA unhedged	5.50	6.60
iShares MSCI Emer. Mkts ex China-EMXC-US	2.00	2.40

### Equity Sector Recommendations

My 5% reduction in my North American equity benchmark weight for Canada automatically increases my Technology and Communications weights and reduces the cyclical/ value component accordingly.

I remain overweight Industrials, Materials, Consumer Discretionary and Reits. I remain underweight Consumer Staples, Utilities and Healthcare. I remain market weight Financials, Technology, Communications and Energy.

## McMurtry Investment Report - Sector Weights (May 2024)

Equity Sector Weights (%)				
Sector	My Weight	TSX Comp	S&P 500	55%US /45 CDN Benchmark
Financials	20.89	30.40	13.10	20.89
Energy	10.63	18.60	4.10	10.63
Materials	7.20	11.90	2.40	6.68
Industrials	12.00	13.80	8.80	11.05
Consumer Disc.	7.65	3.60	10.30	7.29
Comm. Services	6.44	3.20	9.10	6.45
Consumer Staples	4.30	4.10	6.20	5.26
Technology	19.80	8.30	29.20	19.80
Utilities	2.50	3.70	2.30	2.93
Real Estate	2.75	2.20	2.20	2.20
Healthcare	5.85	0.30	12.30	6.90
<b>Totals</b>	<b>100.00</b>	<b>100.10</b>	<b>100.00</b>	<b>100.05</b>

### Individual Stock Changes

In a blog dated May 10<sup>th</sup>, I added AtkinsRealis, ATRL.TO, to the Growth portfolio in the Industrials sector. This is the old SNC Lavalin with a name change. The company has turned the corner from the numerous scandals of several years ago. The company is involved in both engineering and construction and more recently in nuclear reactor infrastructure. The company is expected to grow its EPS this year by over 31% with EBITDA projected to grow by almost 20% over the same period. Its order backlog for 2023 was up by an impressive 16%.

In the same Industrials sector, I am deleting Toromont from both portfolios. This is a quality company that I have held for a long time. However, consensus estimates for this year are for negative growth in both EPS and EBITDA.

In the Financial sector, I am deleting Sun Life from both portfolios in the Financials sector. Once again, this is a quality company that has now experienced a slowing in growth in several of its businesses. Its recent quarter saw both weak top and bottom- line numbers. Significant outflows of investable assets from MFS and US dental revenues falling by 79% resulting from Medicaid redeterminations, contributed to the weak quarterly numbers. I recommend that you switch into more shares of Manulife, that is growing much better. As always please ensure that your investment in Manulife is no more than 3-5% of your total equity holdings.

In a blog dated April 9<sup>th</sup>, I added Amazon back to the Growth Portfolio in the Consumer Discretionary sector. The company is exhibiting solid growth, especially in its flagship Amazon Web services cloud division. EPS revisions were all pointing to a strong quarter that was announced last week and the company did not disappoint with its solid results.

In a blog dated April 9<sup>th</sup>, I added the iShares Japanese Equity ETF, EWJ-US, to both portfolios. Japanese equities are much cheaper than US equity markets and offer a reasonable dividend yield of 1.29%.

Lastly in my recent newsletter I am adding Wisdom Tree's Artificial Intelligence ETF, WTAI-US to the Growth Portfolio. Differing from many ETFs in this category, this one contains both large, mid and small cap companies. It has experienced a solid 1- year total return of 20.47%.

### McMurtry Investment Report - Portfolios (May 2024)

	Income	Growth
<b>Cash</b>	EQ Bank High Interest Rate Savings 4.00% BMO Ultra Short Term ETF ZST YTM 5.00% Saven Financial High Interest Savings 4.20%	EQ Bank High Interest Rate Savings 4.00% BMO Ultra Short Term ETF ZST YTM 5.00% Saven Financial High Interest Savings 4.20%
<b>GIC'S</b>	EQ Bank 1 year GIC 5.25%	EQ Bank 1 year GIC 5.25%
<b>Bonds -Regular</b>	Investment Grade Cdn 1-5 yrs Corporate bonds iShares CBO 1-5 year year Corporate ladder CBO iShares CLF 1-5 Ladder Gov't US Treasuries 7-10 year IEF US	Investment Grade Cdn 1-5 year Corporate bonds iShares CBO 1-5 year Corporate ladder CBO iShares CLF 1-5 Ladder Gov't Us Treasuries 7-10 year IEF US
<b>Common Stocks</b>	<i>Security</i> <i>Dividend Yield %</i>	<i>Security</i> <i>Dividend Yield %</i>
<b>Financials</b>	Royal Bank RY 3.92 CI Financial CIX 4.78 Manulife Fin'l MFC 4.55 Bank of Montreal BMO 4.74 Intact Financial IFC 2.12 CIBC 5.36 Brookfield Corp BN 0.72 Brookfield Asset MGT. BAM 3.82 TD TD 5.32  JP Morgan JPM US 2.33 Morgan Stanley MS US 3.47 Visa V US 0.75 Chubb CB US 1.35	Royal Bank RY 3.92 CI Financial CIX 4.78 Manulife Fin'l MFC 4.55 Bank of Montreal BMO 4.74 Intact Financial IFC 2.12 CIBC 5.36 Brookfield Corp BN 0.72 Brookfield Asset Mgt. BAM 3.82 TD TD 5.32 Fiderv FI US 0.00 JP Morgan JPM US 2.33 Morgan Stanley MS US 3.47 Visa V US 0.75 Chubb CB US 1.35
<b>Energy</b>	Cenovus CVE 2.59 Schlumberger SLB US 2.27 Tamarack Valley TVE 3.93 Crescent Point CPG 3.82  Enerplus ERF 1.28  Cdn. Natural Resources CNQ 3.77 Freehold FRU 7.84 Enbridge ENB 7.16 Whitecap Resources WCP 6.46 Pembina Pipe PPL 5.33 Arc Resources ARX 2.63 Baytex BTE 1.75 Parkland Corp PKI 3.50 Surge Energy SGY 6.66	Cenovus CVE 2.59 Schlumberger SLB US 2.27 Tamarack Valley TVE 3.93 Crescent Point CPG 3.82 Sprott Physical Uran. Trust U.U.N 0.00 NuVista NVA 0.00 Enerplus ERF 1.28 Cameco CCO 0.17 Cdn. Natural Resources CNQ 3.77 Freehold FRU 7.84 Enbridge ENB 7.16 Whitecap Resources WCP 6.46 Pembina Pipe PPL 5.33 Arc Resources ARX 2.63 Baytex BTE 1.75 Parkland Corp PKI 3.50 Meg Energy MEG 0.00 Surge Energy SGY 6.66
<b>Materials</b>	Agnico Eagle AEM 2.31 Alamos Gold AGI 0.63 B2Gold BTO 5.76  Wheaton Precious Metals WPM 1.12 Pan American Silver PAAS 1.92 Linde PLC LIN US 1.29 Lundin Mining LUN 2.26	Agnico Eagle AEM 2.31 Alamos Gold AGI 0.63 B2Gold BTO 5.76 Ivanhoe Mines IVN 0.00 Hudbay Minerals HBM 0.17 Silvercrest Metals SIL 0.00 Wheaton Precious Metals WPM 1.12 Pan American Silver PAAS 1.92 Linde PLC LIN US 1.29 Lundin Mining LUN 2.26 Capstone Mining CS 0.00
<b>Industrials</b>	Jacobs Solutions - J US 0.83 J.B. Hunt JBHT US 1.01 Parker Hannifin PH US 1.16 Honeywell HON US 2.15 Ag Growth AFN 1.24 Element Fleet EFN 2.10  Finning Int'l FTT 2.54 WSP Global WSP 0.70 Canadian National CNR 1.94 General Dynamics GD US 1.92 Stantec STN 0.75 Canadian Pacific Kansas City -CP 0.67	AtkinsRealis ATRL 0.14 J-Abs Solutions J-US 0.83 J.B. Hunt JBHT US 1.01 Parker Hannifin PH US 1.16 Honeywell HON US 2.15 Ag Growth AFN 1.24 Element Fleet EFN 2.10 CAE 0.00 Finning Int'l FTT 2.54 WSP Global WSP 0.70 Canadian National CNR 1.94 General Dynamics GD US 1.92 Stantec STN 0.75 Canadian Pacific Kansas City - CP 0.67
<b>Consumer Discretionary</b>	Martinrea MRE 1.68 Linamar LNR 1.42 Bath & Body Works BBWI-US 1.65  Dollarama DOL 0.26 General Motors GM US 1.06 Restaurant Brands QSR 3.15	Martinrea MRE 1.68 Linamar LNR 1.42 Bath & Body Works BBWI-US 1.65 Amazon AMZN US 0.00 Lululemon LULU US 0.00 Ultra Beauty ULTA US 0.00 Dollarama DOL 0.26 General Motors GM US 1.06 Restaurant Brands QSR 3.15
<b>Communication Services</b>	Meta US 0.42 Rogers B RCLB 3.72 Quebecor B QBR.B 4.37 T-Mobile TMUS-US 1.58 Disney DIS US 0.85	Meta US 0.42 Rogers B RCLB 3.72 Quebecor B QBR.B 4.37 T-Mobile TMUS US 1.58 Disney DIS US 0.85
<b>Consumer Staples</b>	Premium Brands PBH 3.81 Jamieson Wellness JWEL 2.96 Loblaws L 1.32 Primo Water PRMW 1.72	Premium Brands PBH 3.81 Jamieson Wellness JWEL 2.96 Loblaws L 1.32 Monster Beverage MNST US 0.00 Primo Water PRMW 1.72
<b>Technology</b>	Open Text OTEX 3.32 Microsoft MSFT US 0.73 Taiwan Semiconductor TSM US 1.43 Apple AAPL US 0.54	Open Text OTEX 3.32 Microsoft MSFT US 0.73 Taiwan Semiconductor TSM US 1.43 Apple AAPL US 0.54 Wisdom Tree AI ETF - WTAI US 0.25 Nvidia NVDA.NEO CDNS 0.00 First Solar FSLR US 0.00 Adobe ADBE US 0.20 AMBER Cyber Sec. HACK US 0.20 Uber Technologies UBER US 0.00
<b>Utilities</b>	AltaGas ALA 3.91 Brookfield Renewable BEP.un 5.15 Brookfield Infra. BIP.un 5.32 NextEra Energy NEE US 2.76 Fortis FTS 4.21	AltaGas ALA 3.91 Brookfield Renewable BEP.un 5.15 Brookfield Infra. BIP.un 5.32 NextEra Energy NEE US 2.76 Fortis FTS 4.21
<b>Healthcare</b>	Eli Lilly LLY US 0.67 Astra Zeneca AZN US 1.87 Merck MRK US 2.37 Novo Nordisk NVO US 1.07 Stryker SYK US 0.97 Pfizer PFE US 5.96	Eli Lilly LLY US 0.67 Astra Zeneca AZN US 1.87 Merck MRK US 2.37 Novo Nordisk NVO US 1.07 Stryker SYK US 0.97 Pfizer PFE US 5.96
<b>Real Estate</b>	Prologis PLD US 3.55 Chartwell Retirement CSH.un 4.78 Welltower WELL US 2.46 Boardwalk Reit BEL.un 1.97 Interent Reit IIP.un 3.09 Granite REIT GR.T.un 4.64 Equinix EQIX US 2.21	Prologis PLD US 3.55 Chartwell Retirement CSH.un 4.78 Welltower WELL US 2.46 Boardwalk Reit BEL.un 1.97 Interent Reit IIP.un 3.09 Granite REIT GR.T.un 4.64 Equinix EQIX US 2.21
<b>Emerging Markets</b>	iShares EM ex China EMXC US 1.76	iShares EM ex China EMXC US 1.76
<b>Europe</b>	iShares MSCI China MCHI US 3.15	iShares MSCI China MCHI US 3.15
<b>Japan</b>	iShares Europe XEH Cdn S hedge 2.69	iShares Europe XEH Cdn S hedge 2.69
<b>Bitcoin</b>	iShares Japan EWJ US 1.29	iShares Japan EWJ US 1.29
<b>Avantis US Small Cap Value AVUV - US</b>	1.59	1.59

PLEASE ENSURE THAT NO ONE SINGLE INVESTMENT GRADE CORPORATE BOND ISSUE OR ISSUER REPRESENTS MORE THAN 10% OF ALL FIXED INCOME HOLDINGS.

\*\* No more than 1-1.5% of total equity weight

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