

# Pathfinder Investment Outlook

For the week ending November 1<sup>st</sup>, 2024

## Economic Update

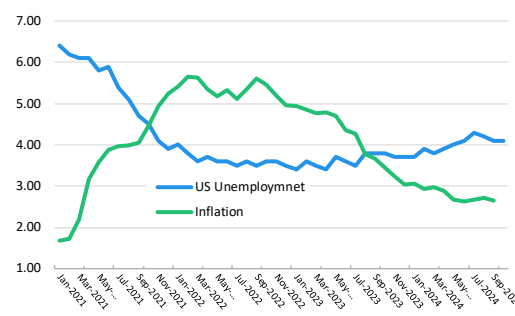
We spent the last couple of months updating regular readers on our investment view and thesis for various specific companies and investment themes. It has been some time since we discussed the employment, inflation and our general view of the economy. Previously we mentioned that we would be data dependent, watching economic releases and company results very closely. The key question for us is whether the US Federal Open Market Committee (“FOMC”) has been able to engineer a soft landing. Recall that if the FOMC was successful, we believe it would be good for equity markets, essentially indicating the rebirth of a new economic cycle. This would materially benefit the global economy and the companies that we own in our mandates.

- Since we last wrote, there have been significant developments in the macroeconomic environment, including a drop (50bps) in US administered interest rates by the FOMC. Equities have since been relatively euphoric.
- Inflation continues to decrease, and employment remains robust. It is hard to justify anything other than a constructive economy when both inflation is decreasing on a month-on-month basis and the unemployment rate remains relatively low (Please see Figure 1).
- More recently, there has been some strength in economic data. This led to speculation about the potential speed and magnitude of further interest rate reductions. Chair Powel reenforced this as well with his recent commentary. The result was some short-term volatility in both fixed income and bonds, but otherwise, there has been limited impact on financial markets. Generally, “things continue to be positive”.
- Today, both US monthly employment data and global Purchasing Manager Indices (“PMI”) data for manufacturing companies were released. The jobs data came in under expectations, even after economists had lowered their predictions due to recent hurricanes in the southern US and Boeing’s (*BA US Equity*) labour strife. PMI data also show expected contraction on the manufacturing side from most companies around the world. Paradoxically, we view this as somewhat constructive. Our concern would be an economy that reaccelerates, putting the FOMC in a difficult position of potentially having to reverse course and raise interest rates. A hot economy would cause inflation to rise again, so lukewarm data is acceptable.

**“This means that”** we must continue to remain data driven before we clearly conclude that the FOMC has been able to engineer a soft landing. We also cannot ignore the historic US Election that is now just less than a week away.

Michael Rudd, CFA | President, CEO & Portfolio Manager

**Figure 1: Jobs and Inflation - Post COVID** November 01, 2024



Source: Bloomberg Markets LP, Pathfinder Asset Management Limited



**Pathfinder Asset Management Ltd. | Equally Invested**

1450-1066 W. Hastings Street, Vancouver, BC V6E 3X1

E [info@paml.ca](mailto:info@paml.ca) | T 604 682 7312 | [www.paml.ca](http://www.paml.ca)

Sources: Bloomberg, Pathfinder Asset Management Limited

**Disclosure**

National Instrument 31-103 requires registered firms to disclose information that a reasonable investor would expect to know, including any material conflicts with the firm or its representatives. Doug Johnson and/or Pathfinder Asset Management Limited are an insider of companies periodically mentioned in this report. Please visit [www.paml.ca](http://www.paml.ca) for full disclosures.

**Changes in Leverage.** We are increasing the asset ceiling to 2.0 times the market value of equity for [Pathfinder International Fund](#) and [Pathfinder Conviction Fund](#) to be consistent with [Pathfinder Partners' Fund](#) and [Pathfinder Resource Fund](#).

For more information, please follow the links above to review the fund term sheets.

\*All returns are time weighted and net of investment management fees. Returns from the Pathfinder Partners' Fund and Pathfinder Real Fund are presented based on the master's series of each fund. The Pathfinder North American Equity Portfolio and The Pathfinder North American Income Portfolio are live accounts. These are actual accounts owned by the Pathfinder Chairman (Equity) and client (High Income) which contain no legacy positions, cash flows or other Pathfinder investment mandates or products. Monthly inception dates for each fund and portfolio are as follows: Pathfinder North American Equity Portfolio (January 2011), Pathfinder North American High-Income Portfolio (October 2012) Pathfinder Partners' Fund (April 2011), Pathfinder Real Fund (April 2013), and Pathfinder International Fund (November 2014).

Pathfinder Asset Management Limited (PAML) and its affiliates may collectively beneficially own in excess of 10% of one or more classes of the issued and outstanding equity securities mentioned in this newsletter. This publication is intended only to convey information. It is not to be construed as an investment guide or as an offer or solicitation of an offer to buy or sell any of the securities mentioned in it. The author has taken all usual and reasonable precautions to determine that the information contained in this publication has been obtained from sources believed to be reliable and that the procedures used to summarize and analyze such information are based on approved practices and principles in the investment industry. However, the market forces underlying investment value are subject to sudden and dramatic changes and data availability varies from one moment to the next. Consequently, neither the author nor PAML can make any warranty as to the accuracy or completeness of information, analysis or views contained in this publication or their usefulness or suitability in any particular circumstance. You should not undertake any investment or portfolio assessment or other transaction on the basis of this publication, but should first consult your portfolio manager, who can assess all relevant particulars of any proposed investment or transaction. PAML and the author accept no liability of any kind whatsoever or any damages or losses incurred by you as a result of reliance upon or use of this publication.