MONTHLY NEWSLETTER

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KLT® WEALTH MANAGEMENT

TOPICS

Market Watch

May marked a more constructive period for financial markets, as investors responded positively to stronger-than-expected corporate earnings and signs that economic activity remains resilient. While concerns surrounding inflation, interest rates, and global events persisted, markets generally looked beyond short-term uncertainty and focused on underlying business fundamentals.

Equity markets moved higher throughout the month, supported by healthy corporate results and improving investor sentiment. While some areas of the market continued to outperform, investor participation broadened modestly across sectors compared to earlier in the year.

Bond markets experienced some volatility throughout the month, ending with a modest gain. Investors continue to assess when interest rates may begin to move lower, while central banks remain focused on balancing inflation risks with economic growth. This fixed-income environment has continued to provide income opportunities while contributing to periodic market volatility.

Market Watch Cont.

In Canada, economic conditions remained relatively stable, although higher borrowing costs continue to influence consumer spending and business activity. Inflation has generally trended in the right direction, but policymakers remain cautious as they balance progress on inflation with the need to support economic growth.

Overall, May served as a reminder that markets can perform well even amid uncertainty. While risks remain, resilient corporate earnings and steady economic conditions helped support investor confidence and reinforced the importance of maintaining a long-term investment perspective.

Courtney Beach, QAFP

Macroeconomics: Global Government Debt

Global debt is a topic frequently discussed in the media, often accompanied by concerns about rising borrowing levels and growing deficits. While the numbers can seem alarming, debt is a normal part of operating a modern economy. Understanding why governments borrow and how government debt can influence financial markets provides important context for investors and their portfolios.

Why do Governments Take on Debt?

It's common for modern governments to take on debt to fund investments, support economic growth, improve infrastructure, and remain competitive in a changing global economy.

There are a few reasons the Canadian government takes on debt:

· **Economic stabilization** during recessions
· **Stimulus spending** for major crises
· **Building long-term infrastructure** like roads and bridges
· **Maintaining public services** during revenue shortfalls

Governments primarily raise money through taxes, non-tax revenues, and by issuing bonds and Treasury bills.

How Does This Affect Markets?

High government debt levels can contribute to higher interest rates, increased market volatility, and the crowding out of private investment.

The Bond Market

Governments typically raise funds by issuing government bonds. To attract buyers, newly issued bonds must offer competitive interest rates. This can affect the value of bonds already trading in the market. Existing bonds with lower rates generally decline in value. Additionally, issuing large amounts of government debt gives investors more bonds to choose from, making it harder for some bonds to attract buyers.

The Stock Market

When governments issue debt, it can lead banks and other lenders to raise borrowing rates for businesses and consumers, making it more costly for companies to borrow for expansion and growth. Government bonds also compete for investor dollars. As bond yields become more attractive, some investors may shift capital away from stocks and toward fixed-income investments. Lastly, high debt levels can raise concerns about future tax increases or government spending cuts, which can create uncertainty and contribute to market volatility.

Rising debt can also increase government interest costs, potentially limiting future spending flexibility.

What Should Investors Take Away?

Government debt is not inherently good or bad. In fact, borrowing has long been an important tool that allows governments to invest in infrastructure, support economic growth, and respond to economic shocks. The key issue is not whether a government carries debt, but whether that debt remains manageable relative to the size and strength of its economy.

Debt levels can influence interest rates, government spending, and market sentiment, but they are only one factor investors should consider alongside economic growth, corporate earnings, and monetary policy.

As with many economic indicators, government debt is most useful when viewed in context. Rather than reacting to headline numbers alone, investors are generally best served by focusing on diversified portfolios and long-term financial objectives.

Want to understand how economic trends affect your financial plan? Contact KLT Wealth Management.

Courtney Beach, QAFP

FINANCIAL TIP

One of the Most Effective Strategies for Achieving Financial Security

Automate your savings to guarantee that you regularly set aside money before making any purchases.

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BUILDING WEALTH ON THE GO

JOKE OF THE MONTH

What did the cheerleader bring her dad for breakfast on Father's Day?

Cheerios

RECIPE OF THE MONTH

Easy Pan Seared Pork Chops

INGREDIENTS

- 4 pork chops, (thick in size)
- 1 teaspoon Italian seasoning
- 1 teaspoon onion powder
- 1 teaspoon garlic powder
- 1 teaspoon chili powder
- salt and pepper, to taste
- 1 tablespoon Avocado oil, or Canola oil

DIRECTIONS

Pat chops dry with the paper towel and sprinkle them very generously with Italian seasoning, onion powder, garlic powder, chili powder, salt and pepper.

Heat your skillet to medium high and add the oil. When it's shimmering hot, add your chops.

Sear on one side, without moving them at all, until they are nice and golden brown on the first side, about 3-5 minutes. Flip and sear the other side until browned.

If chops are very thick (over 1 inch), lower heat to medium and continue cooking, flipping every few minutes, until an instant-read thermometer registers 140–145˚F in the center.

The easiest way to check if the pork chop is done is to use meat thermometer. When they reach an internal temperature of 135 F degrees they are done.

Remove them from the skillet and let them rest on a plate for 10 minutes, during which time they will continue cooking with the residual heat and will eventually reach 145 F degrees.

Note: Cooking time can vary based on the thickness of the pork chops.

Enjoy!

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