

Monthly Client Newsletter

January 2019

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***“Take Your Wealth
to the Next Level”***

Adam's Update

Friends,

My apologies for my tardiness in sending this newsletter out at the end of January. Unfortunately, my family and I have been battling a flu virus that accompanies this time of year. I am happy to say that we are on the mend.

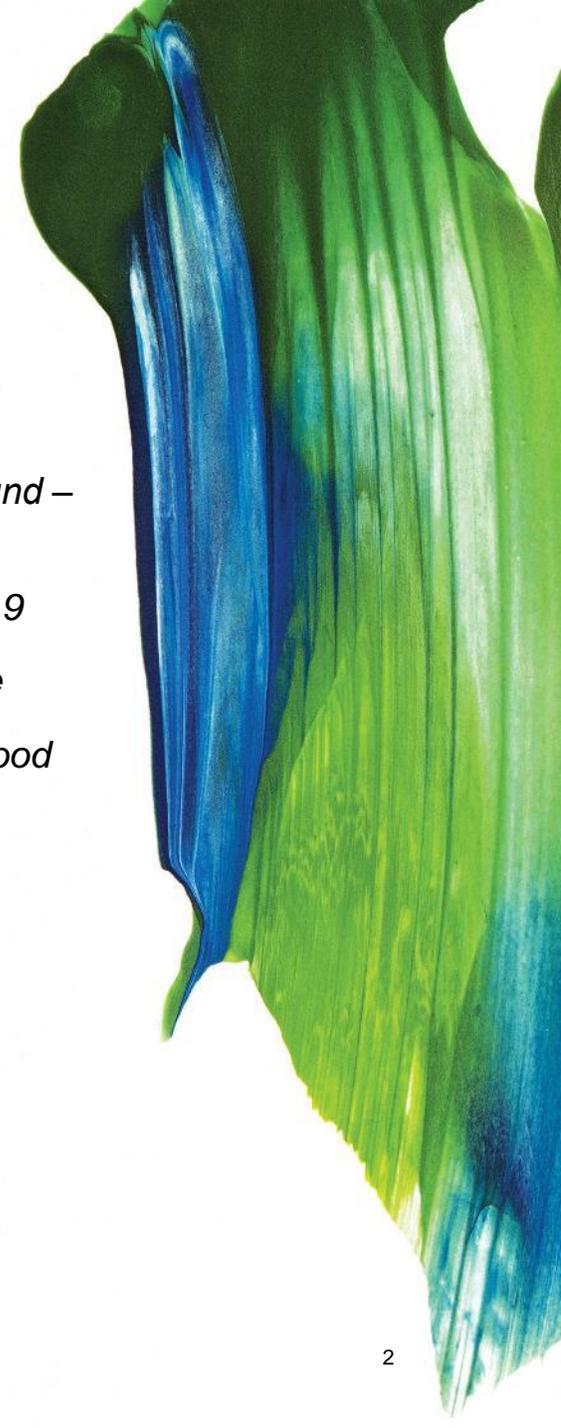
What an incredible 2019 it was for financial market investors! Both equity and bond markets had spectacular years, with stocks rising over 20% in both Canada and the United States. I hate to spoil the party, but I am sure you have already realized that this pace of growth is unlikely to continue. Although I am not suggesting anything sinister on the horizon, I would expect future returns to be lower going forward.

I hope you had a wonderful January and thank you for your continued support!

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Key Dates to Keep in Mind!

- TFSA contribution room available = Beginning of January
- Installment payment date deadlines = Mid March, June, September and December.
- Individual tax filing deadline = End of April.
- Self-employed individual and spouse tax filing deadline = Mid June.
- Tax Loss Selling deadline = End of December.
- RESP contributions deadline = End of December
- RRSP contribution deadline = End of February

Idea Corner:

**Don't
Celebrate a
large tax
refund –
eliminate it!**

Every year, many Canadians celebrate the arrival of a tax refund. It feels like an unexpected bonus, a pleasant surprise among all the bills in the mail. In reality, however, a tax refund simply means that you paid the Canada Revenue Agency (CRA) too much tax throughout the year. You get your overpayment back as a tax refund, but until you deposit that cheque you are essentially making an interest-free loan to the government.

Fortunately, there is an alternative. It's not just RRSP contributions that entitle you to lower taxes deducted at source. The CRA allows you to claim child care expenses, alimony, maintenance or support payments, employment expenses, and interest expenses and carrying charges on investment loans, among other tax deductions, to reduce the taxes you pay throughout the year.

The only disadvantage to this strategy? No more tax refund celebrations. The huge advantage? By lowering the amount of taxes that are deducted at source by your employer, you can put your money to work for you to eliminate your debt more quickly or increase your savings.

Source: Adam McHenry, CFA

Market Performance Review:

December 2019

*Source:
Total Returns in CAD\$, Bloomberg, Bank of
Canada, pcbond.com, Barclays Capital, BMO
CM, S&P

Adam's Comment: The equity market kept moving higher in December. Again, US stocks lead the way, while Canadian stocks were not far behind. Bond markets sold off as investors cheered more risky assets like stocks going into Christmas. The Canadian dollar rose versus the US greenback, and ended the calendar year (2019) up over 5%.

Market	December Return %	2019 Year To Date Return %	5 year Annualized Return %	10 year Annualized Return %
Canadian Equity (S&P/TSX Composite Index)	0.45	22.88	6.28	6.90
US Equity (S&P 500 Index)	0.68	25.18	14.25	15.99
International Equity (MSCI EAFE Index)	0.93	16.78	8.61	8.26
Canadian Fixed Income (FTSE TMX Canada Universe Bond Index)	-1.19	6.87	3.18	4.31
US Fixed Income (Barclays Capital U.S. Bond Universe Treasury Index)	-2.81	1.73	4.48	5.22
Currency Exchange Rate (CAD\$ in USD\$)	2.32	5.04	-2.23	-2.09

Chart of the Month:

Coronavirus Perspective

Adam's Comment: I was at a children's medical clinic recently in Mississauga with my daughter. She had a cough that turned out to be a standard case of "Croup" which is fairly typical in kids at daycare. It was really interesting to see while we were at the doctor's office the behavior of other patients. Obviously, I have been paying attention to the news of the Coronavirus in China and the few cases in Toronto. However, I never thought about changing my behavior at the clinic due to the news. Not initially, but after one family visibly put on the medical face masks at the clinic, I then observed a rush to the registration desk to obtain these same face masks by all other families. It was interesting to see this action locally that was likely inspired by reflection on the news abroad. I thought for some perspective that I would post some more balanced information related to the current and historical epidemics for review...

Exhibit 3: An Overview of Past Epidemics

Epidemic	Period	Number of		Death Rate
		Infected	Fatalities	
SARS (Severe acute respiratory syndrome)	Late 2002 to mid 2003	8,086	774	9.6%
Swine Flu (H1N1)*	Early 2009 to early 2010	10M to 200M	150,000+	0.03%
Ebola virus	Early 2014 to late 2015	28,616	11,310	39.5%
MERS (Middle East Respiratory Syndrome)	Early 2014 to late 2016	1,864	659	35.4%
Coronavirus 2019-nCoV	December 2019 to now	2,700	82	3.0%

*Number of infected and fatalities is an estimate and includes non-officially confirmed cases based on subsequent reports
Source: Scotiabank GBM Portfolio Strategy; WHO, news report.

*Source:

Adam McHenry, CFA

Data ending week of 24JAN2020

Article of the Month:

I Gotta Say, It Was a Good Year

Source:

Ben Carlson,
awealthofcommonsense.com

2019 was a good year for risk assets!

Basically everything worked this past year. Large caps, mid caps, small caps, foreign stocks, emerging markets, REITs, bonds, TIPS, and gold were all much higher in 2019. If you couldn't make money last year you were extremely unlucky, concentrated in the wrong securities or betting against the markets. Interest rates were down which explains the strong returns in the bond market. Some would say the strong performance across the globe in stocks came about from easing by central banks, a prolonged economic recovery, animal spirits, or maybe a new Taylor Swift album.

No one really knows why stocks rise or fall in the short-term but maybe the easiest explanation stems from the fact that nothing worked in 2018. While everything was up in 2019, everything was down in 2018. Maybe the explanation is that simple. So situations like 2018, where everything was down, or 2019, where everything was up, can and will happen. But these scenarios are rare, especially when looking across a number of different asset classes and investment strategies. It just so happens that these rare events occurred in back-to-back years which makes them feel more prevalent because they're easily available.





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