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We're Not in Kansas Anymore, Toto.

Before I started to write this report, I looked at the last one I did. Eons ago (January), when life seemed so much simpler, we worked together in offices, we could get a haircut from a professional, and have dinner with friends in a restaurant. We could give our elderly mum a hug. Business was good, employment was robust, and the stock market was reaching new highs every day. I commented upon how well 2019 turned out, as all the major indices finished the year up by double-digits. My last paragraph did suggest that there would, of course, be pull-backs from time to time, though there didn't appear to be obvious signs of trouble in the near term. "Some 'black swan' event that no one could anticipate" was how I put it.

Black swan indeed. Although some would argue that the coronavirus that was already devastating China in mid-January should have been better anticipated here, almost no one could have imagined how dramatically our lives were going to change, and how fast! In North America we started taking this scourge seriously when the virus spread in parts of Italy and overwhelmed their medical system. When "physical distancing" was determined to be the only real way for us to protect ourselves, which required the sudden shuttering of thousands of businesses, big and small, around the world, it became apparent that we were entering uncharted territory. The word "unprecedented" was being used in almost every sentence – in terms of the scale of business and school closures, self-isolation, and of course, the devastation to human health for anyone unlucky enough to collide with this invisible menace.

I've been an investment advisor for more than 23 years. I've seen three major market crashes in that time: the dot-com bubble burst, 1999-2000; the 9/11 terrorist attacks and subsequent market downturn; and of course, the mother-of-all-financial crises in 2008-09 (or so we thought!) None of these periods were fun to live through, as an investor nor as an advisor. Yet there is a certain amount of confidence one gains having seen the devastation to wealth in the short-term, followed by the upturn which always follows.

This time is both different, yet the same. The reasons for each of those previous bear markets were similar in that they were triggered by an event, or cascading series of events, which dramatically changed investor sentiment from one of exuberance to abject fear. In each case I was able to convince my clients not to panic and sell into the downturn. They listened, and their patience (and calm) were rewarded because the market recovered and eventually reached new heights.

What makes this scenario so diabolically different is that we have no clear image of what the end even looks like, let alone when it will happen. While we know there will be an end to the health crisis (treatment / vaccine will be found), the potential damage to the financial system being wrought in the meantime may take months, if not years to fix. Even when we get the “all clear” from health experts and governments, it is questionable how fast businesses can make up for lost time, and maybe some never will (I’m not sure I’ll be keen to take a cruise any time soon). There will certainly be opportunities to invest – virtual connection technologies, online markets and robotics come to mind – though I believe caution needs to be exercised given the current business paralysis which exaggerates how some businesses are functioning, or not functioning. How companies use massive government stimulus, how fast employees can be put back to work, and how willing we all will be to resume normal life remain questions that can’t be answered yet.

In Canada a specific remedy to falling portfolio values has been offered by the federal government in the form of a 25% reduction in the minimum withdrawal amount required for 2020. I’ll be following up with my RRIF clients to see if they want to take advantage of this offer.

In the midst of all the gloom, however, has been the absolute blooming of nice things that people are doing for each other. Kindnesses large and small, from dropping groceries off at a senior’s front porch, potted plants appearing randomly to brighten someone’s day, opera singers singing from balconies, while others flash lights and bang pots in solidarity for the health care workers who are risking their lives for us all. Having a sense of humour helps too. In the face of our powerlessness, small acts of love and kindness, and finding ways to laugh help to make this crisis feel a little less threatening.

In a couple of years, we may look back on this period like Dorothy did when she woke up from her traumatic dreams in the land of Oz and wonder if this wasn’t all just a nightmare. Sadly, Covid-19 is real, and it may not be the last time we face a pandemic. But our resiliency, ingenuity, sense of humour, and compassion will prevail, and we just might see a better world on the other side.

Stay safe and be good to each other.



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