Family Wealth Counsel Advisory Group | RAYMOND JAMES®

Investment Commentary Summer 2020

Who would have thought five months ago that we would all still be living in this new reality? Time does fly. In the recent quarter, markets have continued to rally on hopes for economic recovery as coronavirus-imposed lockdowns have gradually eased across the globe and there has been increasingly aggressive global monetary and fiscal policy. In the US, Congress enacted a fiscal rescue package totaling US$2.8 tln with unprecedented speed, earmarking trillions for the unemployed and small businesses. Similarly, the US Federal Reserve (Fed) announced an open-ended quantitative easing program and several others to provide additional liquidity for market participants. This resulted in a significant expansion in its balance sheet of over US$3 tln. The Fed's actions helped to reduce the cost of borrowing for corporations and individuals, the lifeblood that keeps the economy growing. The Canadian government also embarked on its own economic bailout package in an effort to keep the economy from slipping into a deep depression. Canada's federal COVID-19 stimulus package has included spending more than $150 bln to help stabilize the economy, split between direct support to individuals and businesses. Most recently, the European leaders agreed to a Euro $750 bln recovery fund to help pull the 27 European countries out of a deep recession caused by the virus.

The current and future stimulus measures have provided a bridge for the economy while it recovers, but there remains uncertainty surrounding when the economy can fully reopen and support a robust recovery. The earliest both the US and Canadian economies may return to the previous level of GDP is 2022/23. In the meantime, governments and central banks will be encouraged to maintain ultra-accommodative fiscal and monetary policies until the economy fully recovers and/or acceptable levels of employment are achieved.

Despite the laundry list of risks facing the markets and economy, the lesson from the financial crisis was not to swim against the tide. As discussed, governments and central banks have shown an unprecedented commitment to do whatever it takes to keep the economy from faltering. In fact, this is the first time in history personal incomes actually improved during a recession thanks to the generous government fiscal relief packages targeted towards individuals. The sheer size of the fiscal and monetary stimulus and the indication that more will come, when needed, provides a significant tailwind for risk assets.

The list of concerns and risks surrounding today's markets are many. However, capital must be invested and, in an environment where risk-free bonds offer little in the way of certain return, equities become the only game in town. By no means are equities riskless assets, but in a world where investors must choose between the two, the potential return profile of equities relative to bonds becomes more attractive. As such, we continue to maintain our tactical equity weightings in all our models. Prior to the market meltdown we did raise a little cash and we do expect to deploy it over the next few months as we believe the markets may take a step back due to the rapid rise in covid cases, earnings misses, and current valuations. We also are looking for Institutions to participate in the rally. Typically, Institutional investing leads the market but this rally has been narrow based and been lead partially by individual investors.

While the economic shock was caused by an exogenous factor, we believe the impacts of the pandemic itself will likely change consumer behavior for quite some time to come. As such, we have continued to adjust portfolio holdings in efforts better align the holdings with the economic and market environment ahead. During the quarter we sold Bank of Nova Scotia and Suncor to reduce bank and oil holdings and added Jamieson Wellness, Wheaton Precious Metals, TSX Group and Alimentation Couche Tarde which we believe will be better performers in our new world. We maintained our weighing in the Dynamic Power American Growth Fund due to its holdings in emerging healthcare and technology which has experienced a sizeable out performance and we believe continues to be well positioned.

We hope you are staying safe and healthy, and have the opportunity to enjoy the company of your family and friends in some way this summer. As always please contact any one of us should you have any questions or concerns.

Linda Shick
Senior Vice President, Portfolio Manager
T: 416-777-7109
linda.shick@raymondjames.ca

David J. Angas, CEA
Senior Vice President, Financial Advisor
T: 416-777-7110
david.angas@raymondjames.ca

Andrew Stiff, CIM, FCSI
Portfolio Manager
T: 416.777.7037
andrew.stiff@raymondjames.ca

Tatiana Enhorning
Financial Advisor
T: 416-777-6404
tatiana.enhorning@raymondjames.ca

CJ Angas
Associate Financial Advisor
T: 416-777-7163
cj.angas@raymondjames.ca

Bambeena Joseph
Financial Advisor Assistant
T: 416-777-7039
bambeena.joseph@raymondjames.ca

Helping families manage the complexities of life’s transitions.